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September 4, 2003 ASSEMBLYMAN, 57th DISTRICT  
CALIFORNIA WINE  
SAN GABRIEL VALLEY  
GROUNDWATER CONTAMINATION

Chief, Regulations and Procedures Division  
Alcohol and Tobacco Tax and Trade Bureau  
P.O. Box 50221  
Washington, D.C. 20091-0221

Dear Sir/Madam:

As the Chair of the Revenue and Taxation Committee of the California State Assembly I am writing to express my support for your proposed rulemaking that would establish a federal 0.5% standard for flavored malt beverages (2001R-1 36P).

Flavored Malt Beverages (FMB's) are relatively new alcohol products that do not fit into the existing state or federal regulatory framework for alcoholic beverages. In some instances the alcohol content of the FMB is derived from fermentation similar to a beer, but in other cases the alcohol in the FMB comes from adding distilled spirits. The lack of a uniform standard of identity for flavored malt beverages creates ambiguities in the way these products are marketed, sold, and taxed. I believe it is important for the Alcohol and Tobacco Tax and Trade Bureau to establish a national FMB standard to bring order and stability to the marketplace and help state taxing authorities apply the correct rate of tax.

Absent a federal standard I am concerned that states will develop a patchwork of laws and regulations applicable to FMB products. Identical products could be sold as a "beer" in one state but as a "distilled spirit" in another. Consumer will become confused about the characteristics of the product and its alcohol content. Retailers and state alcohol regulators will become confused about the license required to sell these products. State agencies that collect alcohol excise taxes will have to resolve conflicts among manufacturers over FMB products that are essentially similar but derive their alcohol content from different manufacturing processes.

For these reasons I respectfully urge the Bureau to adopt the 0.5% standard for flavored malt beverages.

Ed Chavez  
Assemblyman, 57~ District

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