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August 8, 2003

UNITED

Attn: TTB Notice No. 4
Chief, Regulations and Procedures Divisions
Alcohol and Tobacco Tax and Trade Bureau
PO Box 50221 UNITED DISTRIBUTORS, INC.
Washington, D.C. 20091-0221
DOUGLAS F. REID
EXECUTIVE VICE PRESIDENT

Dear Sir or Madam:

United Distributors, Inc. supports the proposed rule issued in March 2003 by the Tax and Trade Bureau (TTB) that outlines the alcohol content requirements in order for flavored malt beverages (FMB) to be classified as beer. Specifically, the TTB proposes that for FMB to be classified as beer. Its alcohol content from distilled alcohol cannot exceed 0.5%.

Beer is a unique product that has been regulated and taxed differently than other alcohol beverages throughout our nation's history. Beer is distinct from wine or spirits because of its alcohol content, production process, heritage, and social use. Beer should always remain a distinct product category on its own, and not be equated to spirits or wine products.

Consistent regulatory policy is important because while states enjoy regulatory power over alcohol, most follow federal regulatory guidelines. This proposed rule would help maintain an orderly marketplace and avoid costly and confounding disruptions in state licensing, taxation and distribution policies, any of which would deal a severe blow to beer wholesalers.

Moreover, equating beer and beverages that derive a majority of their alcohol content from distilled spirits could weaken the important distinction between beer and products with higher alcohol content. These distinctions impact state and federal policies regarding the regulation and taxation of beer and other alcohol beverages.

If traditional distinctions disappear, it will only be a matter of time before other producers of alcohol beverages attempt to categorize themselves as beer products.

Beer is not distilled spirits. Beer is not fortified wine. Beer is not a product that has been made through distillation process. Beer is made through the brewing process. The 0.5% standard will ensure that the integrity of beer remains.

United Distributors, Inc. encourages the TTB to give final approval to the proposed 0.5% standard on FMBs.

Sincerely,

Douglas F. Reid

Cc: NBWA

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