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BUDWEISER-BUSCH DISTRIBUTING CO., INC.

August 11, 2003

Afln: TTBN Notice No. 4
Chief, Regulations and Procedures Division
Alcohol and Tobacco Tax and Trade Bureau
P.O. Box 50221
Washington, D.C 20091-0221

Dear Sir or Madam:

In March 2003, the Tax and Trade Bureau issued a proposed rule that states that a flavored malt beverage should be classified as beer if its alcohol content from distilled alcohol does not exceed 0.5%. Budweiser Busch Distributing Company, Inc. supports this proposal.

Since the 1800's, when congress first issued the first beer excise tax, beer has been regulated and taxed differently than other alcohol beverages. The TTB proposal is consistent with the historical interpretation of what constitutes beer and other malt beverages. This historical interpretation is largely based on the age old brewing process of beer coupled with its definition in the Internal Revenue Code, written in the 1800's. Adoption of the TTB "0.5% by volume standard would ensure the integrity of beer and the brewing process.

Though states have regulatory power over alcohol, consistent regulation is important because most states follow federal regulatory guidelines. This proposed rule would help maintain order in the marketplace and avoid disruption in state licensing, taxation and distribution policy, all of which would severely affect beer wholesalers all over the country. Furthermore, equating beer and beverages that derive the majority of their alcohol content from distilled spirits could abate the important distinctions between beer and products with higher alcohol content. These distinctions are the foundation for state and federal policies regarding regulation and taxation of beer and other alcohol beverages. If these distinctions disappear, it is almost certain that other producers of alcohol will attempt to categorize themselves as beer.

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The 0.5% standard will ensure the integrity of beer and the age old brewing process. Budweiser Busch Distributing, Inc. encourages the TTB to give final approval to the proposed 0.5% standard on FMB's.
Sincerely,

Marv Hughes
Vice President, G.M.

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