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Oregon

Liquor Control Commission  
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October 14, 2003

William H. Foster, Chief  
Regulations and Procedures Division  
Alcohol and Tobacco Tax and Trade Bureau  
PO Box 50221  
Washington, DC 20091-0021

RE: TTB Notice No. 4 - Flavored Malt Beverages

Dear Mr. Foster:

The Oregon Liquor Control Commission (OLCC) supports the Tax and Trade Bureau's proposed rule addressing flavored malt beverages. Your proposal defines those with more than 0.5 percent alcohol from distilled spirits as spirits - not malt beverages - for taxation, advertising, and other federal regulations. Your proposal is consistent with Oregon's treatment of flavored malt beverages.

Distinctions among alcoholic beverages are central to Oregon's "control state" alcohol regulation policy. Since Oregon began its state alcohol regulation in 1934, its policies have intentionally made distilled spirits less attractive than other alcoholic beverages to consumers - through pricing, advertising and availability. Distilled spirits by the bottle are available to consumers through a limited number of Oregon liquor stores, which minors may not enter. Beer and wine are much more widely available -- such as through grocery and convenience stores. Oregon has one of the four lowest beer tax rates in the nation, but one of the highest distilled spirits mark-ups among control states. We believe our alcohol regulation policies have well served to protect the public safety of our citizens and the livability of our state.

Today many flavored malt beverages are on Oregon grocery shelves next to the beer products; however, they showed up there before the OLCC understood the true nature of their contents. This in and of itself makes a case for requiring more detailed alcohol labeling for the benefit of our citizens. The flavored products are made in breweries; distributed through the beer distribution channels; and have been taxed as beer. But, we eventually discovered that their alcohol is mainly or completely from distilled spirits sources, and their appearance and taste usually do not resemble beer. Customers, along with regulators, have been unsure what this hybrid product really is.

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Your adopting the proposed rule would benefit consumers and the alcoholic beverage industry. Your adopting a national standard will promote consistency in the historical and practical categorizing of products, taxation, and distribution by the federal government, as well as the states. It will promote consistency in consumer expectations. And more detailed labels will reduce consumer confusion - especially for our youth.

Thank you, Mr. Foster, for opportunity to comment on your proposed rule. I appreciate your bureau's leadership in responding to the ever changing marketplace and the alcoholic beverage industry's development of new products.

Sincerely,

Philip D. Lang  
Chairman

PDL:BB