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B&F Distributing

3710 CHELAN HWY • WENATCHEE, WA 98801 • 509-663-0777 • FAX 509-663-0709

Our ref ATTTB-091 1-L-  
MaltBevBeerDistinction  
Contact John Donaghy (509) 663 0777

Attn: TTB Notice No. 4  
Chief, Regulations and Procedures Division  
Alcohol and Tobacco Tax and Trade Bureau  
PO Box 50221  
Washington .DC 20091-0221  
11 September2003

Dear Sir or Madam

Tax and Trade Bureau proposed rule on distilled alcohol content of malt beverages

I am writing on behalf of B&F Distributing Co. in support of the Tax and Trade Bureau's ("TTB") proposed rule (March 2003) stating that for flavored malt beverages ("FMB") to be classified as beer, their distilled alcohol content cannot exceed 0.5% ("the proposed 0.5% rule").

It is our contention that the proposed 0.5% rule is consistent with the historical treatment of beer and is essential in maintaining the integrity of beer and the brewing process.

From a historical perspective, the unique regulatory and tax treatment of beer derives its origins from the traditional production process of beer and its long-standing definition in the Internal Revenue Code. FMBs made from high concentration of distilled spirits cannot be classified as beer due to the simple fact that, traditionally, beer is not a product that is made through the distillation process, nor can it be classified as fortified wine.

Beer is a unique product that is a direct result of the brewing process. If this traditional distinction is not maintained, the door will be left open, and it is inevitable that producers of other alcoholic beverages will attempt to classify their products as beer.

From a practical perspective, although states have regulatory jurisdiction over alcohol, a majority of states follow federal policy guidelines. If the proposed 0.5% rule were not adopted, it would create huge licensing, taxation and distribution problems that could potentially have a catastrophic effect on beer wholesalers.

Purveyors offline wines, beers, aes & other natural beverages

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Furthermore, if the definition of beer is diminished and equated with other high distilled alcoholic content products (such as FMBs), this could erode the distinction between beer products and other alcoholic products with higher alcohol content, in doing so, impacting many federal policies concerning the regulation and taxation of beer and other alcoholic beverages.

As a result, B&F Distributing Co. strongly encourages the TTb to approve the proposed 0.5% rule

Your sincerely

John Donaghy

President

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