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September 5, 2003

Attn: TTB 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 of 2003, the Tax and Trade Bureau (TTB) issued a proposed rule that outlines the alcohol content requirements in order for flavored malt beverages (FMB) to be classified as beer. Specifically, the TTB proposes that an FMB cannot be classified as beer if it's alcohol content derived from distilled spirits exceeds 0.5%. Desert Distributing Company supports this rule.

The TTB proposed rule is consistent with our nation's historical interpretation of what constitutes beer and other malt beverages. The regulatory and taxation treatment of beer dates back to the 1800's when Congress first proposed the beer excise tax. Adoption of the TTB "0.5% by volume" standard would ensure the integrity of beer and the brewing process. Since most states follow federal regulatory guidelines, this rule will help maintain stability in state licensing, taxation, and distribution policies. Confusion and disruption in these policies would be detrimental to the beer industry and its wholesalers.

The historic regulatory and taxation policies between beer and distilled spirits should be maintained. Distilled spirits are vastly different from beer and they should not be placed in the same category. The 0.5% rule is a correct reflection of our history.

Once again, Desert Distributing Company supports the proposed 0.5% standard on FMBs and we encourage TTB approval.

Leonard Nelson
General Manager

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