



STATE BOARD OF EQUALIZATION

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State Controller

RAMON J. HIRSIG
Executive Director

May 18, 2007

Dear Interested Party:

Staff has reviewed comments received in response to our February 22, 2007 interested parties meeting regarding the classification and taxation of flavored malt beverages. After considering the comments and information provided to date, staff has identified alternatives and drafted regulatory language that if adopted by the Board, would tax flavored malt beverages as distilled spirits.

Enclosed is the *Second Discussion Paper* on this subject. This document provides the background, a discussion of the issues and explains alternatives in more detail. Also enclosed for your review is a copy of the draft regulatory language.

A second meeting of interested parties is scheduled for June 6, 2007 at 10:00 a.m. in Room 121 (Boardroom) at 450 N Street, Sacramento, California to discuss these alternatives and the draft regulations. If you are unable to attend the meeting but would like to provide input for discussion at the meeting, please feel free to write to me at the above address or send a fax to (916) 323-3204 before the June 6, 2007, meeting. You may also listen in on the meeting via streaming audio at the following link <http://www.boe.ca.gov/sptaxprog/alcoholicbeverage.htm>. If you are aware of other persons that may be interested in attending the meeting or presenting their comments, please feel free to provide them with a copy of the enclosed material and extend an invitation to the meeting. If you plan to attend the meeting on June 6th, I would appreciate it if you would let us know by contacting Mr. Mike Hale at (916) 322-2768 or by e-mail at Mike.Hale@boe.ca.gov prior to June 4, 2007. This will allow staff adequate time to prepare materials and handouts for distribution at the meeting.

Any comments you may wish to submit subsequent to the June 6, 2007 meeting must be received by **June 21, 2007**. They should be submitted in writing to the above address. After considering all comments, staff will complete a formal issue paper on the alternatives and proposed regulations for discussion at the **Business Taxes Committee meeting scheduled for August 14, 2007**. Copies of the formal issue paper will be mailed to you approximately ten days prior to this meeting. Your attendance at the August Business Taxes Committee meeting is welcomed and encouraged. The meeting is scheduled for 9:30 a.m. in Room 121 at 450 N Street, Sacramento, California.



Please be aware that a copy of the material you submit may be provided to other interested parties. Therefore, it is important that your comments not contain confidential information.

If you are interested in other topics to be considered by the Business Taxes Committee, you may refer to the "Business Taxes Committee" page on the Board's Internet Web site (<http://www.boe.ca.gov/meetings/btcommittee.htm>) for copies of Committee discussion or issue papers, minutes, a procedures manual and calendars, which are arranged according to subject matter and by month.

Thank you for your consideration. I look forward to your comments and suggestions. Should you have any questions, please contact Mike Hale at (916) 322-2768.

Sincerely,

Lynn Bartolo
Chief, Excise Taxes Division
Property and Special Taxes Department

LRB: mh

Enclosures

cc: (all with enclosures)
Honorable Betty T. Yee, Chairwoman, First District (MIC 71)
Honorable Judy Chu, Ph.D., Vice-Chair, Fourth District
Honorable Bill Leonard, Member, Second District (MIC 78)
Honorable Michelle Steel, Member, Third District
Honorable John Chiang, State Controller, C/O Ms. Marcy Jo Mandel (via e-mail)
Mr. Alan LoFaso, Board Member's Office, First District (via e-mail)
Mr. Mark Ibele, Board Member's Office, First District (via e-mail)
Mr. Steve Shea, Board Member's Office, Fourth District (via e-mail)
Mr. Tom Hudson, Board Member's Office, Second District (via e-mail)
Ms. Margaret Pennington, Board Member's Office, Second District (via e-mail)
Mr. Lee Williams, Board Member's Office, Second District (via e-mail)
Mr. Ken Maddox, Board Member's Office, Third District (via e-mail)
Mr. Neil Shah, Board Member's Office, Third District (via e-mail)
Ms. Melanie Darling, State Controller's Office (via e-mail)
Mr. Ramon J. Hirsig (MIC 73)
Ms. Kristine Cazadd (MIC 83)
PSTD Acting Deputy Director (MIC 63)
Ms. Anita Gore (MIC 86)
Mr. Robert Lambert (via e-mail)
Ms. Janice Thurston (via e-mail)
Ms. Jean Ogrod (via e-mail)
Mr. Jeff Vest (via e-mail)
Ms. Monica Brisbane (via e-mail)

Mr. Randy Ferris (via e-mail)

Mr. Todd Gilman (MIC 70)

Mr. Dave Hayes (MIC 67)

Mr. Tim Treichelt (MIC 82)

Mr. Mike Hale (MIC 56)

Ms. Cecilia Watkins (MIC 50)

Ms. Beth Lindley (MIC 67)