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FLOOR DEBATE

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distillation process added to that product. This regulation would allow only half the amount of added distilled spirits alcohol flavoring that can now be found in many flavored malt beverages. The regulation will go into effect January 3 of 2006. Whether flavored malt beverages should be taxed as liquor or beer has been a controversial question over the past few years. Federal and state laws treat beer, which is brewed beverages, and spirits, which is distillation, differently for taxation and distribution purposes. Since flavored malt beverages are being made using the fermentation process but have added distilled spirit alcohol flavoring, the determination as to what category the new product should be categorized under has been unclear. I introduced this bill to recognize the federal changes in Nebraska statutes and to clarify that the standard that the liquor...Nebraska Liquor Control Commission must enforce when determining whether a malt beverage is a spirit or a beer. The committee heard the bill on February 7 and advanced it unanimously to General File. Now, why do we...why do we need this? We need it to make sure that we comply with the federal regulation changes. The TTB, which is the Tobacco Trade...Tax and Trade Bureau, enacted a new definition of flavored malt beverages to clarify the statutes so flavored malt beverage is under the Internal Revenue Code and Federal Alcohol Administration Act. That clarification was needed to make uniform the production, composition, and taxation, and labeling of this type of alcohol. Does this...we encourage more drinking of this type (inaudible)? No. It simply makes sure that our statutes define the beverage, which already exists in Nebraska, correctly. The clarification of...we are addressing has nothing to do with the sale or marketing of the product. Why do we care if all flavored malt beverages are classified as beer or spirits? In Nebraska, beer is taxed differently than spirits. And the state...is the state losing money adopting this definition? Not likely. The flavored malt beverages makers can reformulate their recipe to make sure that they meet this definition. So with that, I would answer any questions anyone has. I think this is something that must be done in the state to comply with the federal rules and regulations. Thank you.

SENATOR CUDABACK: Thank you, Senator Janssen. You've heard the opening on advancement of LB 563. Open for discussion on that