



STATE BOARD OF EQUALIZATION

September 26, 1969

Mr. G--- W. O---
Executive Vice President
C--- B--- A---
XXX --- Street
--- ---, CA XXXXX

Dear Mr. O---:

This is to confirm the agreement reached in our meeting on September 25, 1969, at which you, Mr. W. T. Denny, Mr. T. P. Putnam, Mr. Don Brady and I were present.

We concluded that hops, considering the fact that many breweries are now utilizing hop extract, are a flavoring extract within the meaning of ruling 52(a)(1). Accordingly, the purchase price of hops should not be included in the measure of tax on complimentary beer.

We also concluded that the purchase price of malt was to be included in the measure of tax on complimentary beer inasmuch as malt was specifically excluded from the term "food products" in ruling 52 (a)(3).

This determination is to apply to all current periods. It will also apply to future periods unless the board changes the definitions found in ruling 52 when that ruling is reconsidered in the course of our current review and re-adoption of all rulings. You wish to be notified when the public hearing is scheduled on ruling 52 so that you might have the opportunity to present arguments in favor of classifying malt as a food product.

Very truly yours,

Lawrence A. Augusta
Assistant Counsel

LAA:ph

The end of this annotation states:

"Malt is not a food product. Chemical additives are likewise not food products and are subject to tax. 9/26/69. (Regulation 1602 was amended effective January 1, 1974, to classify malt as a food product).

After almost 25 years, there is no longer any reason to have malt mentioned at all. Please change this to read: Chemical additives are not food products and are subject to tax. 9/26/69. David Levine