

SENATE BILL REPORT

2SSB 6468

As Amended by House, March 6, 2008

Title: An act relating to the taxation of honey beekeepers.

Brief Description: Concerning the taxation of honey beekeepers.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators King, Rasmussen, Roach, Hobbs, Honeyford, Hewitt and Sheldon).

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 1/21/08, 1/29/08[DPS-WM].

Ways & Means: 2/12/08, 2/27/08 [DP2S].

Passed Senate: 2/28/08, 46-2.

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6468 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Hatfield, Vice Chair; Schoesler, Ranking Minority Member; Morton and Shin.

Staff: Bob Lee (786-7404)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6468 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Oemig, Parlette, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dianne Criswell (786-7433)

Background: Farmers who sell agricultural products at wholesale are exempt from the business and occupation (B&O) tax. Agricultural products include any product of plant cultivation or animal husbandry including a product of horticulture, grain cultivating, vermiculture (worms), viticulture (grapes), or private culture aquatic products, or a bird, or insect, or the substances obtained from such an animal.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A farmer is defined as a person engaged in the business of growing, raising, or producing, upon his own land or land which a person has a present right of possession (rented land). Hives are often rented to provide pollination service for crops on lands owned or rented by others.

Businesses with activities subject to the B&O tax but generate less than 12,000 dollars per year in gross income are not required to register with the Department of Revenue. Honey and bee products produced on an apiarist's own farm is not subject to the B&O tax. However, income from the sale of honey, pollination services and bee products produced off the apiarist's own farm that exceeds the 12,000 dollars annual threshold is required to be reported to the Department of Revenue and is subject to the B&O tax.

Summary of Second Substitute Bill: Beekeepers would be exempt from the following taxes:

- the B&O tax on the wholesale sale of honey and honey bee products.
- the B&O tax on bee pollination services;
- the sales and use tax on the sale of pollinating bees; and
- the sales tax on diesel fuel used for off-road purposes between private lands.

The diesel fuel exemption does not include transporting individuals, agricultural products, farm machinery or equipment, or other tangible personal property on public roads, except when moving a motor vehicle on a public highway between two pieces of private property when said moving is incidental to the primary use of the motor vehicle. This provision applies to beekeepers and other producers of agricultural products.

Appropriation: None.

Fiscal Note: Requested on January 18, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2008.

Staff Summary of Public Testimony on Original Bill (Agriculture & Rural Economic Development): PRO: Pollination has been deemed by the Department of Revenue to not be an agricultural activity and thus, is subject to the B&O tax. Only six beekeepers are paying this tax and out-of-state beekeepers are not, which creates an unfair competitive disadvantage. The exemption from sales tax for diesel fuel used for agricultural purposes does not apply to beekeepers because of the non-agricultural label. Beekeepers should be considered farmers. Due to a high rate of bee die-off in western Washington, it is uncertain whether there will be sufficient bees to pollinate western Washington crops such as blueberries, cranberries, raspberries, and blackberries.

Persons Testifying (Agriculture & Rural Economic Development): PRO: Senator Curtis King, prime sponsor; Sue Olson, Jerry Tate, Jim Bach, Jerry Robinett, Washington State Beekeepers Association.; John Timmons, Pierce County Beekeepers Association; Tim Hiatt, Hiatt Honey, Robert Whannell, Long Beach Cranberry Growers Association.

Staff Summary of Public Testimony (Ways & Means): PRO: Apiarists would like to be declared farmers because we are providing necessary agricultural services. This proposal recognizes that bees are used to pollinate around the state. Also, honey from bees is gathered

from around the state. The bee colony collapse, which has been in the news, has been worse in Washington. There have been increasing payments for pollination services. This bill would also help alleviate those increases. The fiscal note is not huge, but would have an important impact for beekeepers. Washington State University's budget should have money to study this.

Persons Testifying (Ways & Means): PRO: Eric and Sue Olson, Olson's Honey; John Timmont, Tim Hiatt, Hiatt Honey.

House Amendment(s): Adds an intent section that the bill is in response to losses resulting from colony collapse disorder, and that the intent is to provide temporary B&O tax relief for Washington's apiarists.

Retains the exemption from the B&O tax for the sale of honey bee products by setting forth a new section rather than amending an existing section.

Deletes the exemption from sales and use taxes for off-road diesel fuel used by beekeepers.

Retains the exemption from the B&O tax for pollination services, and the exemption from the retail sales and use tax for the sale of honey bees to an apiarist.

Retains the provision that requires apiarists to register with the Department of Agriculture to be eligible for the tax exemptions.

All exemptions above continue to take effect on July 1, 2008. The House amendments terminate the above exemptions on July 1, 2013.