

SENATE BILL REPORT

SB 6402

As Reported by Senate Committee On:
Agriculture, Water & Rural Economic Development, January 30, 2014
Ways & Means, February 6, 2014

Title: An act relating to defining honey bee products and services as an agricultural product.

Brief Description: Defining honey bee products and services as an agricultural product.

Sponsors: Senators Honeyford, Hatfield, Brown, Dinsel, Parlette and Bailey.

Brief History:

Committee Activity: Agriculture, Water & Rural Economic Development: 1/30/14 [DPS-WM].
Ways & Means: 2/05/14, 2/06/14 [DP2S].

SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6402 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Hatfield, Chair; Honeyford, Ranking Member; Brown, Eide, Hobbs and Schoesler.

Staff: Diane Smith (786-7410)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6402 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Hill, Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Frockt, Hasegawa, Hatfield, Kohl-Welles, Padden, Parlette, Schoesler and Tom.

Staff: Juliana Roe (786-7438)

Background: Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the

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state, without any deduction for the costs of doing business. Farmers who sell agricultural products at wholesale are exempt from the B&O tax. Agricultural products include any product of plant cultivation or animal husbandry including a product of horticulture, grain cultivating, vermiculture, viticulture, privately cultured aquatic products, or a bird, insect, or the substances obtained from such an animal.

Last year the Legislature expanded and extended tax exemptions for beekeepers through July 1, 2017. These B&O and sales and use tax exemptions include the following: 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 and use tax on feed used by an eligible apiarist in the raising of a bee colony used to make honey bee products.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Second Substitute): Honey bee products are considered agricultural products. Eligible apiarists who grow, raise, or produce honey bee products for sale, or provide bee pollination services are considered farmers. Apiarists and honey bee products are, therefore, provided the same tax exemptions as farmers under current law. These tax exemptions are permanent and not subject to the ten-year expiration date.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): Changes are made throughout the tax code so as to recognize honey bee products as agriculture, honey beekeeping as an agricultural pursuit, and treat apiarists as farmers so that the same tax benefits provided to farmers under current law are provided herein. The tax exemptions provided to honey beekeepers under current law, that are set to expire, are repealed. A tax preference statement is included.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Agriculture, Water & Rural Economic Development): PRO: Honey bees are an integral part of agriculture. They need to be recognized as such. In order for Washington beekeepers to be competitive with those from out of state, we need to remove our beekeepers from B&O tax liability. This will go to have money earned in Washington stay in Washington.

Persons Testifying (Agriculture, Water & Rural Economic Development): PRO: Senator Honeyford, prime sponsor; Mark Emerich, WA State Beekeepers Assn.

Staff Summary of Public Testimony on Substitute as Passed by Agriculture, Water & Rural Economic Development (Ways & Means): PRO: Beekeepers are very important to agriculture. I liken them to the chickens or cows. The bees make honey, cows make milk,

chickens lay eggs. However, the chickens and cows are considered part of agriculture and the bees are not. Bees are so important to all of our crops in the state that they should be considered an integral part of our agriculture. We should not have to keep coming back to do things part and parcel for the beekeepers in terms of tax incentives.

The primary result of this bill is to recognize beekeeping as an agricultural pursuit and treat beekeepers as farmers under state law. That manifests itself as relief from the state B&O tax and from excises on feed and other commodities purchased by beekeepers and allows beekeepers to continue to be productive. Washington is the only state that does not recognize beekeeping as an agricultural pursuit. This creates an uneven playing field with operators from other states who do not have that tax burden. Providing permanent tax relief would do a great deal for these producers especially at a time when profit numbers are bad. Our goal is to make it possible for Washington beekeepers to compete with beekeepers from other states and allow this industry to thrive in Washington.

Because the Department of Agriculture lacks resources to enforce the registration of beekeepers, the Department of Revenue (DOR) cannot pursue the tax on out-of-state beekeepers. This makes it difficult for in-state beekeepers who are burdened with paying the tax. I am not opposed to paying taxes, but I am opposed to being unfairly taxed. Anyone who delivers bees into the state is subject to tax. But when dealing with a migrant business, it is difficult to identify when they are here or not. We would have to catch these persons in order to tax them or know that they were here. Because DOR does not audit farms, there is no way to know that they were here.

We are dependent on happy beekeepers and bees. Without bees, there is no pollination and without pollination there are not \$4 billion in sales.

Persons Testifying (Ways & Means): PRO: Senator Honeyford, prime sponsor; Jim Rieck, WA State Beekeepers Assn., Olympia Beekeepers Assn.; Tim Hiatt, Legislative Chair, WA State Beekeepers Assn.; Jim Halstrom, WA State Horticultural Assn.