
**Agriculture & Natural Resources
Committee**

HB 2751

Brief Description: Concerning the taxation of honey beekeepers.

Sponsors: Representatives Chandler, Newhouse, Bailey, Morrell and McCune.

Brief Summary of Bill

- Exempts the wholesale sale of honey bee products by individuals who do not qualify as farmers from the state business and occupation (B&O) tax.
- Exempts the sale of bee pollination services from the state B&O tax.
- Exempts the sale of honey bees to eligible apiarists from the state's retail sales and use tax.
- Extends the sales and use tax exemptions for diesel fuel to apiarists who keep one or more bee colonies and sell honey bee products at wholesale.
- Adds definitions of "bee colony", "eligible apiarist", and "honey bee products" to statute.

Hearing Date: 1/28/08

Staff: Colleen Kerr (786-7168).

Background:

Business and Occupation Taxes

Almost all businesses located or doing business in Washington are subject to the state business and occupation (B&O) tax. A sale does not have to occur for a business to owe B&O tax. An income tax is based on a business' profits after expenses. Washington does not have an income tax and instead has the B&O tax. Washington's B&O tax is calculated on gross income. There are no deductions from the B&O tax for labor, materials, taxes, or other costs of doing business. A business may qualify, however, for certain exemptions, deductions, or credits permitted by law.

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.

Among the state's statutory agricultural tax exemptions, the B&O tax does not apply to any farmer that sells any agricultural product for resale or to any farmer who grows, raises, or produces agricultural products owned by others, such as custom feed operations. This exemption does not apply to any person selling agricultural products at retail or to any person selling manufactured substances or articles.

Sales and Use Taxes

Retail sales tax is Washington's principal tax source. Businesses making retail sales in Washington collect sales tax from their customers. Generally, a retail sale is the sale of tangible personal property and services. Use tax is paid by the consumer when the retail sales tax was not collected by the seller/service provider. Businesses that make a purchase for resale must provide a resale certificate to the seller. If they do not, the seller must charge the buyer retail sales tax on the total purchase. Businesses also pay the retail sales tax on purchases of items for their own use (such as supplies or equipment) that will not be resold in the regular course of business.

Among the state's statutory agricultural tax exemptions, bees purchased by farmers for pollination services are exempt from the state's sales and use tax.

Summary of Bill:

The wholesale sale of honey bee products by those individuals who do not otherwise qualify as farmers is exempted from the state's business and occupation (B&O) tax. The sale of bee pollination services, in addition to the sale of bees for pollination purposes, is also exempted from the state's B&O tax.

The sale of honey bees to eligible apiarists is exempt from the state's sales and use tax.

The sales and use tax exemptions for diesel fuel are extended to apiarists who keep one or more bee colonies and sell honey bee products at wholesale. Additionally, the agricultural fuel tax exemption is changed to allow an incidental use to the same level as provided for in the fuel tax exemption.

For the purposes of the statutes regarding the B&O tax and the sales and use tax:

- "Bee colony" means a natural group of honey bees containing 7,000 or more workers and one or more queens, housed in a man-made hive with moveable frames, and operated as a beekeeping unit.
- "Eligible apiarist" means a person who owns or keeps one or more bee colonies and who grows, raises, or produces honey bee products for sale at wholesale.
- "Honey bee products" means queen honey bees, packaged honey bees, honey, pollen, bees wax, propolis, or other substances obtained from honey bees. "Honey bee products" does not include manufactured substances or articles.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.