

# SENATE BILL REPORT

## SHB 1558

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As of March 14, 2013

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

**Brief Description:** Concerning the taxation of honey beekeepers.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Warnick, Manweller, Taylor and Morrell).

**Brief History:** Passed House: 3/09/13, 98-0.

**Committee Activity:** Agriculture, Water & Rural Economic Development: 3/19/13.

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### SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

**Staff:** Bob Lee (786-7404)

**Background:** The business and occupation (B&O) tax generally applies to the gross income generated by a business operating in the state. 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.

Retail sales of tangible personal property are subject to the retail sales tax unless specifically exempted by statute. The state sales tax rate is 6.5 percent with an additional local sales tax that ranges from 0.05 to 3.0 percent.

In 2008, due to concerns over the occurrences of colony collapse disorder, the Legislature enacted the following exemptions relating to honey beekeepers:

- the income received from the wholesale sale of honeybee products by those individuals who do not otherwise qualify as farmers is exempt from the B&O tax;
- the income received from pollination services to a farmer by an eligible beekeeper is exempt from the B&O tax; and
- the sale of bees to an eligible apiarist is exempt from the sales and use tax.

The exemptions established in 2008 expire July 1, 2013.

**Summary of Bill:** A legislative finding is made that in 2013, colony collapse disorder is still a significant problem for the apiary – honey beekeeper – industry. It is stated that the

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Legislature's intent is that tax relief provided by this act will not be extended when data indicates that honey bee colony survivorship has improved as provided in the colony collapse disorder progress report published annually by the United State Department of Agriculture, and data provided by the Washington State Department of Agriculture (WSDA) to the Joint Legislative Audit and Review Committee.

A honey bee workgroup is created to develop a report that outlines solutions that bolster the use of Washington honey bee colonies. The workgroup includes the WSDA, four beekeeper representatives, a representative of the apiary lab at Washington State University, and one representative each from both the tree fruit and the seed industry. The workgroup may include or seek input from other agencies, organizations, and stakeholders. By December 31, 2013, the workgroup must submit a report to the Legislature that includes the following:

- proposed changes to the industry's tax structure to increase competitiveness with out-of-state beekeepers for pollination contracts;
- analytics and metrics to measure the value of the proposed tax structure changes;
- propose additional resources needed to continue applied and basic research to support commercial beekeepers in the state and to recover colony losses;
- colony levels needed to meet the pollination demands of the state's agricultural industry;
- other policy changes that would increase competitiveness of the state's beekeepers;
- other industry needs that would increase the market share of pollination contracts awarded to state beekeepers; and
- metrics needed to provide accountability for state resources invested in the honey bee industry.

The three temporary tax exemptions provided in 2008 are extended through July 1, 2016. Additionally, feed used by an eligible apiarist in raising of a bee colony used to make honey bee products is exempt from the sales and use tax. This exemption also expires on July 1, 2016.

**Appropriation:** None.

**Fiscal Note Available.:** Yes.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2013..