

SENATE BILL REPORT

SB 5017

As of February 3, 2015

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, Rolfes, King, Sheldon and Hatfield.

Brief History:

Committee Activity: Agriculture, Water & Rural Economic Development: 1/13/15, 1/20/15
[DP-WM].
Ways & Means: 2/02/15.

SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Warnick, Chair; Hatfield, Ranking Minority Member; Hobbs and Honeyford.

Staff: Bonnie Kim (786-7316)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Juliana Roe (786-7438)

Background: A business and occupation (B&O) tax on the gross receipts of all in-state business activities, except utility activities, is imposed on every person who has a substantial nexus to the state for the act or privilege of doing business. The B&O tax does not apply to farmers (persons producing agricultural products for sale) selling agricultural products at wholesale or growing agricultural products owned by others, such as custom feed operations.

In 2008 and 2013 the Legislature enacted temporary tax exemptions related to apiarists and honey bee products. Honey bee products are defined as queen honey bees, packaged honey bees, honey, pollen, beeswax, propolis, or other substances obtained from honey bees. Honey bee products do not include manufactured substances or articles. The following is a list of tax exemptions set to expire on July 1, 2017:

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- wholesale sales of honey bee products that do not otherwise qualify for the general agricultural product exemption (B&O);
- bee pollination services to a farmer using a bee colony owned or kept by the person providing the pollination services (B&O);
- sales of honey bees to eligible apiarists (retail);
- sales of feed to eligible apiarists to raise a bee colony to make honey bee products (retail);
- use of honey bees by eligible apiarists (use); and
- use of feed by eligible apiarists in raising a bee colony to make honey bee products (use).

Summary of Bill: The definitions of agricultural product and farmer are amended to include apiarists and honey bee products. Therefore, the tax exemptions provided to agricultural products and farmers are extended to apiarists and honey bee products and are intended to be permanent. By modifying these definitions, the temporary, industry-specific, honey bee tax exemptions become redundant. This bill repeals those redundant tax exemptions. The coinciding evaluation by the Joint Legislative Audit and Review Committee is also repealed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2015.

Staff Summary of Public Testimony (Agriculture, Water & Rural Economic Development): PRO: This is an important bill recognizing bees' contribution to agriculture. Washington is the only state that does not recognize bees as part of agriculture. Absence of bee pollination services would have negative effects on food supply and the economy. Consideration of bees as agriculture would create equity and help small farmers. This bill follows the honey bee workgroup recommendations and addresses parity between in-state and out-of-state pollination service providers.

Persons Testifying (Agriculture, Water & Rural Economic Development): PRO: Senator Honeyford, prime sponsor; Mark Emrich, WA State Beekeepers Assn.; Laurie Pyne, Olympia Beekeepers Assn.; Jim Goche', Friendly Grove Farm; Tim Hiatt, Hiatt Honey.

Staff Summary of Public Testimony (Ways & Means): PRO: Bees are essential to the agricultural industry in Washington and beekeepers want to be part of the definition of agriculture. Bees help pollinate and produce many agricultural products including tree fruit, berries, and seed crops. The Honey Bee Work Group, that met over the interim and provided the Legislature a report, unanimously found that beekeepers should be considered farmers. In 2008 we went from losing 5 percent of our hives to 35 percent of our hives on average per year. Including beekeepers in the definition of farmer would provide us with much-needed tax breaks. This bill would also level the playing field for in-state and out-of-state beekeepers. Many out-of-state beekeepers fail to pay their Washington State taxes which puts in-state beekeepers on unequal footing. If in-state beekeepers are exempt from these

taxes, then we won't be at such a disadvantage. The fiscal impact on the state of these tax preferences is small.

Persons Testifying (Ways & Means): PRO: Senator Honeyford, prime sponsor; Tim Hiatt, WA State Beekeepers Assn.; Mark Emrich, WA Beekeepers Assn., President.