

SENATE BILL REPORT

SB 5017

As Reported by Senate Committee On:
Agriculture, Water & Rural Economic Development, January 20, 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].

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)

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:

- 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);

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- 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: Repeal. The temporary tax exemptions listed are repealed. A 2013 directive to the Joint Legislative Audit and Review Committee to evaluate whether state taxes are a disproportionately large percentage of commercial beekeepers' operational or capital costs is also repealed.

Definitions. The definition of agricultural products is expanded to include honey bee products. The definition of farmer is expanded to include registered apiarists who keep one or more bee colonies and grow, raise, or produce honey bee products for wholesale or bee pollination services.

Tax Exemptions. Sales of sprays, fertilizers, and bees to farmers for making honey bee products or providing bee pollination services are exempt from retail sales tax. Honey bee products and bee pollination services provided to a farmer by an eligible apiarist are exempt from the B&O tax. Eligible farmers making honey bee products or providing bee pollination services are exempt from the retail sales tax on replacement farm machinery or equipment used primarily for making honey bee products or providing bee pollination services. These tax exemptions are intended to be permanent.

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: 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: 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.