

# HOUSE BILL REPORT

## SHB 1500

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### As Amended by the Senate

**Title:** An act relating to increasing the cap on gross sales for cottage food operations.

**Brief Description:** Increasing the cap on gross sales for cottage food operations.

**Sponsors:** House Committee on Agriculture and Natural Resources (originally sponsored by Representatives Eslick, Chapman, Jacobsen, Ramel, Leavitt, Walen, Peterson, Couture, Paul, Doglio and Macri).

#### Brief History:

##### Committee Activity:

Agriculture and Natural Resources: 1/27/23, 2/3/23 [DPS].

##### Floor Activity:

Passed House: 2/16/23, 98-0.

Senate Amended.

Passed Senate: 3/22/23, 48-1.

#### Brief Summary of Substitute Bill

- Increases the cap on annual gross sales for cottage food operations.
- Directs the Department of Agriculture to review and increase the cap on annual gross sales every four years.
- Requires cottage food licenses to be renewed every two years instead of annually.

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### HOUSE COMMITTEE ON AGRICULTURE AND NATURAL RESOURCES

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Chapman, Chair; Morgan, Vice Chair; Reeves, Vice Chair; Dent, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Kloba, Lekanoff, Orcutt, Schmick and Springer.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Rebecca Lewis (786-7339).

**Background:**

Any person operating a food processing plant or processing foods for retail sale must obtain a food processing plant license from the Department of Agriculture (WSDA). License fees are set in statute and based on gross annual sales. Certain establishments licensed under other WSDA programs, including the state cottage food program, are exempt from the food processor plant license requirement.

Under the state cottage food program, a person may produce certain non-hazardous food products in a home kitchen for direct sale to a consumer. In order to operate a cottage food business, a person must obtain a cottage food permit from the WSDA, and permits must be renewed annually with a \$75 public health review fee, a \$30 processing fee, and an inspection fee of \$125 for any initial or annual basic hygiene inspections conducted. Examples of products that may be produced under a cottage food permit are baked goods, jams, jellies, fruit butters, and preserves. Annual gross sales for a cottage food business is capped at \$25,000. If the gross sales of a cottage food business exceeds \$25,000, the business must either acquire a food processor's license, or cease operations.

**Summary of Substitute Bill:**

The cap on annual gross sales for cottage food products is increased from \$25,000, to \$50,000. The Department of Agriculture (WSDA) must review the cap every four years. The WSDA must increase the cap by expedited rulemaking based on that year's Consumer Price Index for the Seattle area as compiled by the Bureau of Labor Statistics, United States Department of Labor.

The WSDA must employ sufficient full-time equivalent staff to ensure timely processing of cottage food applications, and provide improved service to cottage food businesses.

Instead of annually, cottage food permits must be renewed every two years.

**EFFECT OF SENATE AMENDMENT(S):**

The Senate amendment increases the cap on gross sales for cottage food products from \$25,000 to \$35,000 instead of \$50,000.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This idea has been introduced several times and will help small cottage food businesses make a profit. This bill will help parents who need to stay home with kids earn a little extra money. It will also help small, women-owned businesses. Having to rent out a commercial kitchen is very expensive. Business owners have noticed that people are increasingly interested in knowing where their food comes from, particularly in the wake of the COVID-19 pandemic. Farmers markets have seen increases in revenue. Ingredients like butter, flour and eggs are becoming increasingly more expensive, as are the ingredients needed to make gluten-free products. With more expensive ingredients, businesses are meeting the cap in half the time as they had before. Some businesses make larger, more expensive items such as wedding cakes and meet the cap quickly. Other businesses prioritize buying locally produced ingredients, which promotes local spending but can be more expensive. Every state has a cottage food program, and many do not have a sales cap. Laws that prohibit the use of commercial equipment to produce cottage food products should relieve concerns about mass production.

(Opposed) None.

(Other) On the whole, the Department of Agriculture (WSDA) supports the concept of increasing the cap on gross sales. Increasing the cap will also increase participation in the cottage food program. The WSDA assumes that it will need one more full-time staff member to address more participation and to improve service to cottage food businesses as required by the bill. The WSDA would like to request an amendment to review the cap every four years instead of two years.

**Persons Testifying:** (In support) Representative Carolyn Eslick, prime sponsor; Tiffany Thompson; Jackie Ferry; and Carol Berch, River House Bake Shop.

(Other) Kelly McLain, Department of Agriculture.

**Persons Signed In To Testify But Not Testifying:** None.