

HOUSE BILL REPORT

HB 1558

As Reported by House Committee On:
Finance
Appropriations

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

Brief Description: Concerning the taxation of honey beekeepers.

Sponsors: Representatives Warnick, Manweller, Taylor and Morrell.

Brief History:

Committee Activity:

Finance: 2/4/13, 2/28/13 [DPS];

Appropriations: 3/1/13 [DPS(FIN)].

Brief Summary of Substitute Bill

- Provides eligible honey beekeepers with a sales or use tax exemption for purchases of honeybee food.
- Includes an expiration date for honeybee tax incentives.
- Provides legislative intent language linking the purpose of the tax incentives to the impacts of colony collapse disorder.
- Creates a honeybee workgroup to address honeybee industry challenges.
- Requires the Joint Legislative Audit and Review Commission to evaluate the impact of state taxes on the honeybee industry compared to other industries as part of its tax preference review.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Hansen, Lytton, Pollet, Reykdal, Springer, Vick and Wilcox.

Staff: Dominique Meyers (786-7150).

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.

Background:

Business and Occupation Tax.

Almost all businesses located or doing business in Washington are subject to the state business and occupation (B&O) tax. 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.

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.

In 2008 the Legislature passed Second Substitute Senate Bill 6468 relating to the taxation of honey beekeepers. The income received from the wholesale sale of honeybee products by those individuals who do not otherwise qualify as farmers is exempted from the B&O tax. In addition, the income received for the sale of bee pollination services to a farmer by an eligible beekeeper is exempt from the B&O tax. These exemptions expire July 1, 2013.

Sales and Use Tax.

All retail sales of tangible personal property, except for specific exemptions provided in statute, are subject to retail sales tax. Use tax is imposed on the privilege of using tangible personal property where sales tax was not collected. The state sales tax rate is 6.5 percent, with local rates ranging from 0.05 to 3.0 percent.

The sale of honeybees to an eligible beekeeper is exempt from sales tax. This exemption expires July 1, 2013.

Summary of Substitute Bill:

A new exemption that exempts the purchase of honeybee food by an eligible beekeeper from sales and use tax is authorized. An expiration date of July 1, 2016, is included for the new sales and use tax exemption, and the current honeybee tax exemptions. Beekeepers are required to provide an exemption certificate to the seller when making tax-exempt purchases.

A honeybee workgroup is created to address honeybee industry challenges and provide a detailed report to the Legislature by December 31, 2013. In addition, the Joint Legislative Audit and Review Commission (JLARC), as part of its tax preference review, must evaluate and compare the impacts of Washington state taxes on the honeybee industry with other industries in the state.

Substitute Bill Compared to Original Bill:

The substitute bill adds an expiration date for all the honeybee tax incentives. Included is an intent section and requirement to create a honeybee work group to evaluate industry

challenges and report findings to the Legislature by December 31, 2016. Additional requirements are included in the JLARC tax preference review of the honeybee tax incentives.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Beekeepers have had a rough go the past few years with disease, making it hard for the beekeepers to make a profit. Beekeeping is very important to the agricultural industry. Beekeeping is not a very big industry but it carries a lot of power. Agriculture is the number one industry in the state and bees do all the work. There are about 644 registered beekeepers with 90,000 hives in Washington. There are not a lot of people involved, but it is a powerful industry. California is currently keeping the bee keeping industry in the United States alive with the pollination services for the almond orchards. The colony collapse disorder has not gone away. Some businesses experienced colony losses of 60 percent. This bill levels the playing field for Washington beekeeping businesses compared to out-of-state beekeepers for pollination services. These exemptions benefit primarily larger businesses that are competing for pollination services from out-of-state beekeepers. This bill makes a huge impact for Washington beekeepers to stay competitive. Because beekeepers do not qualify as farmers, they have to pay sales tax on business inputs and feed is one of the more costly business expenses for beekeepers. There is worry that without the incentives, mid-size beekeeping businesses will have a hard time keeping their businesses open.

(Opposed) None.

Persons Testifying: Representative Warnick, prime sponsor; Sue Olson, Olson's Honey and Washington State Beekeeper's Association; Mark Emrich, Franclyn Heinecke, and Charles Bennett, Washington State Beekeeper's Association; Tim Hiatt, Hiatt Honey and Grigg Apiaries; and Jim Halstrom, Washington State Horticultural Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Finance be substituted therefor and the substitute bill do pass. Signed by 31 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Alexander, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Cody, Dahlquist, Dunshee, Fagan, Green, Haigh, Haler, Harris, Hudgins, Hunt, Jinkins, Kagi, Maxwell,

Morrell, Parker, Pedersen, Pettigrew, Pike, Ross, Schmick, Seaquist, Springer, Sullivan and Taylor.

Staff: Dominique Meyers (786-7150).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Finance:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 4, 2013.

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

Staff Summary of Public Testimony:

(In support) This is a "sweet" little bill. The agricultural industry makes up 13 percent of the Washington economy and a lot of that could not happen without a robust bee industry and bee pollination services. Part of the reason for the original legislation was for the loss of bees to mites and disease. The other part of it was to address the unfair disadvantage in-state beekeepers had compared to out-of-state beekeepers that do not pay Business and Occupation tax on the Washington pollination services they provide. This bill will take the "sting" out of the in-state industry disadvantage.

(Opposed) None.

Persons Testifying: Tom Davis, Washington Farm Bureau.

Persons Signed In To Testify But Not Testifying: None.