



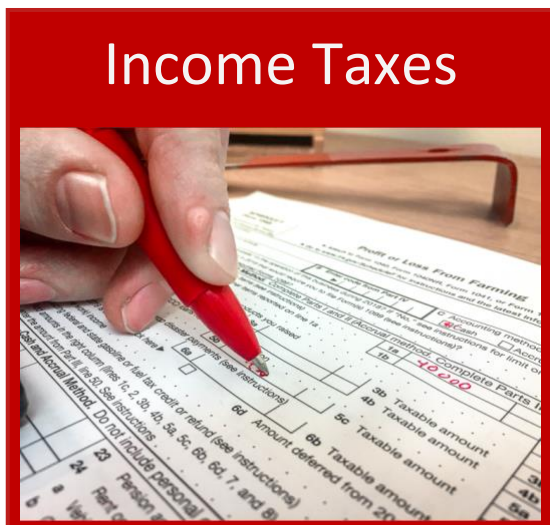
# Tax Tips for New York Beekeepers

March 2020

Like stings and mites, taxes are a disagreeable but unavoidable part of beekeeping life. As a beekeeper, you might pay income taxes on apiary products, property taxes on apiary land, and sales tax on products purchased for or sold through your beekeeping business. **It can be confusing to figure out what you owe, which tax exemptions apply, or even which forms you should use.**

This fact sheet is here to help! Below is a brief introduction to income, property, and state taxes, as they might apply to a new beekeeping business. Apiaries qualify for several important farm and small business tax benefits. A bit of planning can make tax season more predictable and less costly.

This is an overview, not a comprehensive guide. If you have questions about your taxes, consult a professional or contact a state or federal tax help center.



## Income Taxes

Income from beekeeping, even part-time beekeeping, is subject to New York and federal income taxes. Many people simply add revenue from a beekeeping hobby to the “total income” on their personal tax form (Line 6 of the 1040). However, **your taxes will usually be lower if you can treat your apiary as a for-profit business rather than a money-losing hobby.** Taxpayers can deduct expenses associated with a personal business. Starting in 2018, they cannot deduct expenses from a hobby. Thus, businesses pay taxes on **profit** (net income after expenses) and hobbies pay taxes on **revenue** (gross income before expenses). Financial losses from a personal business, unlike a hobby, can also lower the taxes you owe the following year.

You should treat your apiary as a business in your taxes if you can demonstrate a “profit motive.” The IRS rule of thumb is that an activity is a business if it made a profit in 3 of the last 5 years. If you don’t meet that threshold, you may still qualify if you expect the apiary to be profitable in the future. Consult

the “Not-For Profit Activities” section of [IRS Publication 535 \(Business Expenses\)](#) and talk to a tax professional.

## Business structure and income taxes

Most beekeeping businesses are organized as **sole proprietorships, partnerships, or limited liability companies (LLCs)**. These types of businesses do not pay taxes separately from their owners; instead, profits “carry through” to the owner(s). Owner(s) report that income on their personal 1040. Partnerships and multi-owner LLCs need to file an additional form, the 1065, documenting how the owners distributed business income and losses. For a summary of NYS business structures, see “[Forming a Business in New York.](#)”

Corporate income taxes are more complex. In general, corporations pay corporate income tax ([Form 1120](#)) and New York franchise tax ([Form CT-400](#)). Shareholders (owners) and employees of the company pay income taxes separately.

Small businesses, though, may choose to organize as an **S corporation**. Like LLCs, S Corporations can “pass through” profits to the shareholders, who report it as ordinary income on their 1040s.

## Choosing Schedule F or Schedule C

If reporting personal business income on your 1040, you will need to attach a supplemental form laying out business profits and losses. Since the IRS considers beekeeping to be an agricultural activity, you should use [Schedule F](#) (Profit or Loss From Farming) if your business is based on producing honey, wax, queens, or other apicultural products. Businesses that primarily sell beekeeping services, re-sell products from other apiaries, or prepare processed goods (e.g., candies or wax products) may prefer the [Schedule C](#) (Profit or Loss from Business). Choosing Schedule F or C will not change your tax liability.

No special forms are required to file your New York State income taxes; simply copy the relevant information from your Schedule F or Schedule C to the relevant state form ([IT 201](#) for individuals).

## Self-employment and payroll taxes

In addition to income taxes, wage earners and employers pay a combined 15.3% of wages for Social Security and Medicare taxes (often called payroll or FICA taxes). Unless you receive a wage from your personal business, you will instead pay a 15.3% [self-employment tax](#) on 92.35% of net income from that business. You may subtract half of your self-employment tax bill from your adjusted income when filing income taxes.

## Deducting apiary expenses

Don’t forget your deductions! As with any farm business, you may deduct “[ordinary and necessary expenses](#)” from your taxable income, including beekeeping supplies, items purchased for resale, utilities, fuel, insurance, repairs, loan interest, and much more.



**Recordkeeping**

*Good records of income, expenses, and inventory are essential to qualify for tax deductions and benefits. The NYS Beekeeper Tech Team provides a helpful [handbook](#) for beekeepers.*

### **Self-employment tax example:**

*If you earned **\$40,000** from your beekeeping business, your self-employment tax bill would be:*

$$\$40,000 \times .9235 \times 0.153 = \mathbf{\$5,652}$$

*You could subtract half of this amount, **\$2,826**, from your adjusted income when filing income taxes.*

Durable apiary assets like woodenware, an uncapper, or a vehicle are treated differently. Instead of deducting the full price of the equipment in the year purchased, you deduct [depreciation](#) on the asset over several years: the purchase price divided by the asset's "useful life" (for tax purposes, the useful life is seven years for most equipment and five years for business vehicles). For example, a beekeeper might depreciate a \$3,500 extractor over seven years, deducting \$500 on her tax return each year.

### New York tax credits

You may qualify for an [investment tax credit](#) if building or renovating a structure for your apiary. The standard rate is 5% of the investment value. If you spent \$10,000 to renovate your honey house, the tax credit would reduce your income taxes by \$500.

Other credits are reserved for taxpayers who receive at least two-thirds of their income from agriculture. The [Farmers' School Tax Credit](#) allows farmers to subtract any school district property taxes paid on agricultural land from their state income tax liability. Claiming this credit does not reduce local school district tax revenue. The [Farm Workforce Retention Credit](#) grants a tax credit to farmers for each agricultural worker that they employed for at least 500 hours in the relevant year.

### Other income tax benefits

The IRS offers several tax benefits for farmers that may benefit your apiary. If your apiary had a [net operating loss](#) last year, you may carry that loss over to reduce this year's taxes. Farms may also choose to pay taxes on the farm's [average annual income](#) (over the last three years) rather than on actual income in a tax year. This could lower your tax liability if your apiary profits were lower in the last two years.

### Paying estimated taxes through the year

Most self-employed people pay quarterly estimated federal and state income tax payments. Individuals should use Form 1040-ES for [federal taxes](#) and Form IT-2105 for [New York taxes](#). You do not need to pay estimated tax if you expect to owe less than \$1,000 in federal or \$300 in New York income taxes for the tax year. You also do not need to pay quarterly estimated taxes if you earn two-thirds of your income from farming. Farmers do, however, need to pay estimated income tax by January 15 of the following year (e.g., January 15, 2019 for estimated 2018). If you over-pay, you will receive a refund after filing your annual tax return. If you under-pay, you may owe a penalty.



*Deduct **depreciation** on major equipment, not the purchase price.*

## Sales Taxes



Depending on the municipality, sales taxes in New York range from 4% to 8.875%. However, beekeepers are exempt from state and local sales taxes when buying or selling certain products.

Honey, including comb honey and creamed honey, is **not** subject to sales tax. However, NYS **does** tax beeswax, confections made from honey, and other processed goods. To sell those products to consumers, you need a [Certificate of Authority to Collect Sales Tax](#). [Tax Bulletin ST-525](#) lists common taxable and exempt items.

You also benefit from a state and local [sales tax exemption](#) for goods and services purchased for your apiary. Sellers may accept an exemption certificate ([Form ST-125](#)) in lieu of collecting sales tax for qualifying

items.

## Property Taxes



Land used for beekeeping may qualify for an [agricultural assessment](#), lowering your property taxes. Taxes on eligible land are based on its agricultural value rather than market (resale) value. The tax savings can be significant, especially for apiaries located in areas with high land prices or poor soil. An apiary can get an agricultural assessment even if its land is outside of an agricultural district or split into multiple parcels.

Qualifying land can include bee yards, forage, and even buffer areas between your apiary and neighbors. It must have been used for beekeeping or another agricultural activity for the preceding two years. You must also meet *one* of the below thresholds for acreage and agricultural income:

- **Less than 7 acres:** owner must have \$50,000 gross income from agriculture.
- **Greater than 7 acres:** owner must have \$10,000 gross income from agriculture (including beekeeping). You can enroll up to 10 acres based on apiary production; this will not affect your eligibility for agricultural assessment of acres used to produce other products.

### More help with tax questions

The IRS [Farmer's Tax Guide](#) is your definitive guide to federal taxes. The Cornell Small Farms Program's [Guide to Farming in New York State](#) includes simple federal and state tax guidance. You may also be interested in the NYS Beekeeper Tech Team's fact sheet on [Property and Sales Taxes for New York Beekeepers](#). Finally, take advantage of state and federal governments' free tax help centers and hotlines:

IRS individual tax help:	(800) 829-1040	NYS Taxpayer Answer Center:	(518) 457-5181
IRS business tax help:	(800) 829-4933	NYS Sales Tax Information Center:	(518) 485-2889
NY FarmNet help line:	(800) 547-3276	Agricultural assessment questions:	(315) 728-2002