



A Tax Tip Sheet for New York Beekeepers

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, sales, and property taxes as they might apply to a new beekeeping business. Apiaries qualify for several important farm and small business benefits. A bit of planning can make taxes 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

Any income from beekeeping, even part-time beekeeping, is subject to New York and federal income taxes. Many people simply add revenue from beekeeping to the “total income” on their personal tax form (Line 7a of the 1040). However, your taxes will usually be lower if you can treat your apiary as a for-profit business. Taxpayers can deduct expenses associated with a personal business, but 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.



More online resources

Farmer's Tax Guide (IRS):

www.irs.gov/publications/p225

Instructions for Schedule F, Profit or Loss from Farming:

<https://www.irs.gov/instructions/i1040sf>

Cornell Small Farm's Guide to Farming in New York State:

smallfarms.cornell.edu/resources/guides/guide-to-farming-in-ny

Business Resources for Beekeepers:

pollinator.cals.cornell.edu/resources/business-resources/

Business structure and income taxes

Most beekeeping businesses are organized as **sole proprietorships**, **partnerships**, or **limited liability companies (LLCs)**¹. These types of businesses do not pay taxes separately from their owners. Owners report business income on their 1040 form. If reporting personal beekeeping income on your 1040, you should fill out **Schedule F** (Profit or Loss From Farming). To file your New York State income taxes, simply copy the relevant information from your Schedule F to your state income tax form (IT 201 for individuals). Partnerships and multi-owner LLCs need to file an additional form, the 1065, documenting how the owners distributed business income and losses.

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 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.



Self-employment and payroll taxes

Unless you receive a wage from your personal business, you will instead pay a 15.3% **self-employment tax** on 92.35% of that business’s profit. This is equivalent to Social Security and Medicare taxes (often called payroll or FICA taxes) paid by wage earners and employers. You may subtract half of your self-employment tax bill from your adjusted income when filing income taxes.

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. However, you do **not** need to pay quarterly estimated taxes under two circumstances:

- You earn two-thirds of your income from farming, or
- You expect to owe less than \$1,000 in federal or \$300 in New York income taxes.

Self-employment tax example

If you had a \$1000 profit from your beekeeping business, your self employment tax bill would be as follows:

$$\$1000 \times 0.9235 \times 0.153 = \$141.30$$

You could subtract half of this amount, \$70.65, 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.

Durable equipment like woodenware, an uncapper, or a vehicle is treated differently (with an exception discussed below). Instead of deducting the full cost of the equipment in the year purchased, you deduct **depreciation** on the asset over several years: the purchase price divided by the asset's expected useful life. The IRS defines depreciation periods for agricultural equipment in its Farmer's Tax Guide: **Publication 225**².

In some cases, businesses can choose to deduct the cost of equipment in a single tax year instead of using depreciation. This is known as a **Section 179 deduction**³ or "expensing" an equipment purchase. However, businesses using a Section 179. deduction must use that equipment primarily for business for the entire depreciation period. The IRS may "recapture" part of the deduction if it sells the asset or stops using it for business within the depreciation period.

For example, a beekeeper who bought a \$3,500 extractor could either (a) deduct \$500 each year for the next seven years or (b) deduct \$3,500 from that year's taxable income. If she chose option (b) and sold the extractor five years later, she might need to repay part of the deduction.



New York tax credits

You may qualify for an **investment tax credit**⁴ 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.



Look up the appropriate depreciation schedule when deducting the cost of equipment.



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 years⁵.

Sales tax

Depending on the municipality, sales taxes in New York range from 4% to 8.875%. However, beekeeping businesses are exempt from state and local sales taxes when buying or selling certain products⁶. 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. If you will be selling taxable items, you will need to apply for a **Certificate of Authority to Collect Sales Tax**⁷.

Businesses issued a Certificate of Authority must file sales tax returns every year, even if they had no taxable sales. As such, you should only register for sales tax if you expect to make taxable sales in the near future; don't get a Certificate "just in case."

Beekeeping businesses also benefit from a state and local sales tax exemption for goods and services purchased for farms. To use this exemption, fill out an exemption certificate (**Form ST-125**)⁸ and give a copy to the seller when making a qualifying purchase. New York vendors will accept an exemption certificate in lieu of collecting tax.



Property taxes

Land used for beekeeping may qualify for an **agricultural assessment**⁹, 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. Land used for an apiary can qualify for an agricultural assessment even if it is outside of an agricultural district, is split into multiple parcels, or is rented from another owner.

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:

- **Fewer than 7 acres:** owner must have \$50,000 gross income from agriculture.
- **More 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.



Helpful references

1. "Forming a Business in New York: An Overview" summarizes NYS business structures: www.dos.ny.gov/corps/bus_forms.html
2. The IRS Farmer's Tax Guide is a definitive guide for federal taxes: www.irs.gov/publications/p225
3. Section 179 deductions allow businesses to treat some equipment purchases like ordinary business expenses: www.section179.org
4. Use New York's investment tax credit if you placed qualified business property into service during the tax year: www.tax.ny.gov/pit/credits/investment_tax_credit.htm
5. Income averaging may be worthwhile if your beekeeping profits vary significantly from year to year: www.irs.gov/forms-pubs/about-schedule-j-form-1040
6. Tax Bulletin ST-525 lists common taxable and exempt items: www.tax.ny.gov/pubs_and_bulls/tg_bulletins/st/listings_of_taxable_and_exempt_food.htm
7. Use New York Business Express to apply for a Certificate of Authority online: www.businessexpress.ny.gov
8. NYS sales tax exemption for farms: www.tax.ny.gov/pubs_and_bulls/tg_bulletins/st/farmers_exemption_cert.htm
9. New York's agricultural assessment program: www.tax.ny.gov/research/property/assess/valuation/agindex.htm

Tax help lines

IRS individual tax help
(800) 829-1040

IRS business tax help
(800) 829-4933

NY FarmNet help line
(800) 547-3276

NYS Taxpayer Answer Center
(518) 457-5181

NYS Sales Tax Center
(518) 485-2889



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