



What's Blooming?
Sugar Maple

MARCH 2012
NEWSLETTER OF THE ALAMANCE COUNTY BEEKEEPERS

This month's meeting...

Adolphus Leonard, Bee Inspector for Eastern NC will discuss "Building Colonies: Splits/NUC/Swarm" on March. 15, 2012 at the Alamance County Cooperative Extension Services. The meeting starts at 6:00 pm with a cover dish supper.

We are looking to assign Mentors to the new Cost Share recipients. If you would like to be a Mentor to one or several people, please let me know so we can match up the Veterans' to the new Students. We will try to match up folks that live close to you to cut down on transportation expense.----Ira Poston

The Blessing of Bees

Bees have always been a symbol of hard work, being successful, profitable, and well liked.

Dreams about bees signify hard work, activity, good communication, a balanced social life, and the ability to make good thing happen in our lives. Dreams about honey are said to portend future wealth or increase!

Dreams about bees *and* honey may represent spiritual gifts. When we dream of bees it may mean we are using with our spiritual gifts, or it could mean we need to acknowledge the treasures and gifts within us.

Many spiritual traditions embrace the bee and honey in their texts.

In the Muslim Qur'an, bees are the subject of the longest commentary: Surah 16, verses 68 and 69:

"Thy Lord inspired the bee: Choose your dwelling in the hills, in the trees and in what (man) built. Eat of all fruit and follow the ways of your Lord in humility. From within their bodies comes a liquor of different colors where is a remedy for men."

In the Catholic tradition, St. Benedict is the patron saint of beekeepers, and in some parts of France it is customary for many people to attach medals of St. Benedict on their hives. St. Benedict's feast was formerly March 21, but it is now celebrated on July 11. Every year at the Feast of St Benedict the following prayer is spoken over the hives:

O Lord, God almighty, who hast created heaven and earth and every animal existing over them and in them for the use of men, and who hast commanded through the ministers of holy Church that candles made from the products of bees be lit in church during the carrying out of the sacred office in which the most holy Body and Blood of Jesus Christ thy Son is made present and is received; may thy holy blessing descend upon these bees and these hives, so that they may multiply, be fruitful and be preserved from all ills and that the fruits coming forth from them may be distributed for thy praise and that of thy Son and the holy Spirit and of the most blessed Virgin Mary.

In the Judeo-Christian Bible honey is mentioned 61 times and bees are mentioned 4 times! Bees and honey are considered a source of inspiration and blessing.

"Go to the ant thou sluggard. Go to the bee, and learn how diligent she is. What a noble work she produces, whose labour kings and private men use for their health! She is desired and honored by all, and though weak in strength, yet since she values wisdom she prevails." (Proverbs 6:8)

As we go into our bee yards this Spring, let us be mindful what a blessing these little insects truly are!

Tax Time Again - Are You a Hobby or a Business?

by Howard Scott

If you make your main living out of beekeeping, then there is no question. The activity is a business, and must be filed as a Solo Proprietorship (Schedule C), a Partnership (1065), or a Corporation (1120). If the activity is done purely for your own consumption and there are no sales—no income at all—then you don't need to file the activity. But if it is a sideline or hobbyist activity with some income, then you have a choice: you can file as a hobby or a small business. It is the middle area—whether to file as a hobby or a small business—probably where 85% of beekeepers are at—that we are concerned with.

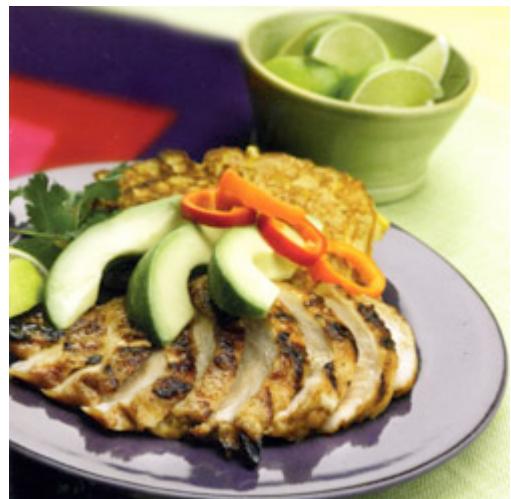
What is the difference in treatment between hobby and business? To be a business, you need to file a Schedule C sole proprietorship schedule. Don't be scared by the big words. It's a two-page form which determines the profit of your business. It starts with gross sales and subtracts expenses. The difference is the profit, which you pay taxes on. Your sales consists of sales of honey to people who come to your house, sales made at fairs, sales of product sold to stores, rental of hives for pollination, and sales of equipment. For example, if you sell an extractor you purchased ten years ago, that is a sale that must be recorded. Expenses consist of packages, cost of bottles, medication for bee treatments, fair fees, sugar, woodenware purchases, and capital expenditures. If you did anything major, such as build a honey house or purchase an extractor, that purchase must be costed out over the life of the equipment. Say you purchased an extractor for \$800, and you expect it to be useful for 10 years, then this year's expenses are \$80 (\$800 divided by 10). The calculations are an inexact measurement, but it roughly approximates the money you've earned.

A hobby starts with your income—all the above—and expenses may or may not be counted. Generally, the logic is that a hobby is less serious and you should pay taxes on all your income and the small expenses might affect the calculation only if you have quite a bit of other job expenses. Hobby income is put on line 21—other income—

Notes & Notices



Honey Corn Cakes



Makes 12 to 14 corn cakes

- 1/4 cup honey
- 2 cans (15.25 oz. each) corn kernels, drained
- 3 eggs
- 1 cup flour
- 1/2 cup Milk
- 1/2 teaspoon garlic salt

Combine all ingredients. Heat skillet lightly coated with olive oil to medium temperature. Pour 1/3-cup portions of corn cake mix into skillet and cook for about 1-1/2 to 2 minutes on each side.

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of the 1040 form, and the amount is fully counted. Hobby expenses are put on Schedule A, under job expenses, lines 21 to 27. That means expenses count only if you file a Schedule A (if you have a mortgage, you probably will; if you don't owe anything on your home, you might not), and if your other job expenses are significant so that they come to over 2% of income. You have a standard deduction of expenses to subtract from income. You file a Schedule A only when your Itemized deductions are greater than the standard deduction. Within the itemized deductions—Schedule A—is the category of job expenses. For your job expenses to count, the total must be over 2% of income. Only the amount over the 2% counts. As a rough guide, people who have a lot of job expenses are executives, salespeople, and certain types of laborers. Executives have home offices, unreimbursed travel, unreimbursed mileage, and laptop/electronic purchases. Salespeople have lots of travel costs. Some laborers have high union dues as well as travel costs and tool purchases. If you're one of these individuals, you can add your beekeeping expenses to job costs and get full credit for these expenses.

So if you have \$3,000 honey sales and your expenses are \$1,000, how do you fare as a business? You subtract \$1,000 expenses from \$3,000 revenue, and have \$2,000 profit, which you pay taxes on. If you're in the 25% overall tax bracket, you pay 25% federal tax, or \$500, plus 5% state tax, or \$100, plus 15% social security tax \$300. Altogether you pay \$900 on the \$2,000 profit. That's 45% of profit or 30% of sales.

If you file as a hobby, and you are in the 25% bracket and you don't itemize (you don't file a Schedule A), you will pay taxes on the full \$3,000. That's \$750 federal tax and \$150 state tax and \$450 Social Security, for a total of \$1,350. This percent is 45% of sales. If you do file a Schedule A, but do not have much job expenses, you will not be able to take off your beekeeping expenses, and will again pay \$1,350 taxes. But, if you file Schedule A and you have a great deal of job expenses that go above the 2%, then you will be able to add on the \$1,000 beekeeping expenses, which will reduce your overall income by \$1,000, and then the taxes you will pay will be taxes only on the \$2,000 profit, and you will wind up paying \$900. You will be in the same position as if you were a business.

Another possibility—filing a Schedule F—as a farmer is not really suited to beekeeping. Too many entries are not applicable: sales of livestock, cooperative distributions, agricultural program payments, CCC loans forfeited—as income, and conservation expense, fertilizers and lime, seeds and plants—as expenses. Also, the hobby loss rule does not apply to beekeepers.

So how do we make sense of all this? Certainly you would rather pay \$900 taxes rather than \$1,350, by calling your beekeeping a business, and filing a Schedule C (and perhaps other schedules—2106 for miles traveled, 4797 for sale of property, 4562 for depreciation, 8829 for home office). By doing so, however, you will incur an expensive tax prep bill of perhaps \$300 to \$400. This high cost of tax preparation might offset the lower tax liability. This creates a danger. It would be my guess that most beekeeper hobbyists/sideliners, being independent individuals, do their own taxes. I would guess the figure might be as high as 90%. Yet I would not recommend that a lay person tackle such levels of sophistication as home office and depreciation computations. These are beyond the scope of the self-taught preparer.

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Another consideration is that filing as a hobby minimizes the chance of scrutiny. You could approximate revenue rather than keep accurate books because the auditors aren't too worried about voluntary hobby income or its expense component.

A third point is that it is easier for many practitioners to think of beekeeping as a hobby. After all, most of us don't do it for the money. There are much easier ways to make extra money. So why not call it a hobby, and take what tax hit comes our way. Such simplifying takes the worry out of the activity.

My advice is this: Speak to a tax preparer who specializes in small businesses. Let him look at last year's tax return. He will advise you whether to do the taxes yourself, whether to file your beekeeping income as a hobby or a business, and will provide an estimate range of tax liability in each case.

Whether you hire a tax preparer or choose to do it yourself, be sure to include the following deductions from beekeeping revenue:

- All mileage driven in connection with beekeeping activity.
- All volunteer miles driven, where you volunteer your time free in connection with beekeeping.
- All professional subscriptions and association dues.
- Books purchased that help with your beekeeping.
- Cost of any experiments to improve your activity.
- The total expense of all conventions and workshops attended.
- If you use the internet for beekeeping research, take a portion of the monthly fee.
- The charges of all education programs.
- Any payment made to your young children for helping you with beekeeping work.
- The cost of gifts given to individuals who helped you with your beekeeping.
- If you have a space where you do your beekeeping regularly and exclusively, you can take a home office deduction. That is, you can deduct a portion of your mortgage interest, property taxes, house insurance, maintenance, repairs, and depreciation. The portion is that square foot percentage that you use for beekeeping versus the total square footage of your home. By stating "regular and exclusive" the IRS means you don't have to do beekeeping in the space all the time, but when you do the activity, you do it there, and you don't do anything else there. In other words, that space is designated for beekeeping activities. Many beekeepers don't want to get involved in home offices, but it's often a significant expense, helping to reduce profit. Twenty years ago setting up a home office was raising a red flag with the IRS. Today, with more individuals working at home, it is a common and accepted part of the work landscape. If you have a legitimate home office, take it as a deduction.

Don't let taxes overwhelm you. Instead, make the procedure work for you. Scott, a 30-year beekeeper, is the author of BEE LESSONS ([dancinghill@gmail.com](mailto:dancinghill@gmail.com)). He keeps bees in Pembroke, MA. He is also a long-time tax preparer specializing in small businesses.