February 2, 2021

To: North Dakota House of Representatives

Subject: Support for HB 1465—Bioscience Tax Exemption Bill

To whom it may concern,

Aldevron would like to inform you of our support of HB 1465 – Bioscience Tax Exemption Bill.

Thank you for consideration of HB 1465 which offers the potential of sales and use tax exemption to the bioscience and biotechnology industry in a fashion similar to the exemption provided to other industries within North Dakota as well as exemptions for the bioscience industry in other states, including Wisconsin and Texas.

Rationale for Support

Current tax legislation relating to sales and use tax exemptions does not cover the bioscience industry nor address fundamental differences between the bioscience industry and other more long-standing industries. HB 1465 addresses some of these differences and extends the exemptions to the rapidly developing biotechnology industry.

As a well-known leader in the bioscience industry with a long-standing commitment to North Dakota, Aldevron appreciates these efforts to update tax legislation to apply the same concepts and principles, historically applied to manufacturers, to the new and dramatically expanding industry of bioscience and biotechnology. Aldevron continues to be committed to expanding our business, providing highly skilled employment growth, and establishing North Dakota as a focal point of our industry. However, compared to other manufacturers, such as equipment manufacturers, we operate at a disadvantage with regard to sales and use taxes, which places restrictions on capital for expansion.

One of the fundamental differences in our industry is that you cannot see with the naked eye the cellular structures we use as raw materials or that are produced through our processes. It requires thousands or even millions of cells accumulated together to be visible. But our work is accomplished on a cell-by-cell basis. Because of this, there are unique requirements of our manufacturing processes to be able to complete our work.

One of the most significant differences is that what you put into the process is not what you get out at the end. This is similar to the fertilizer manufacturing process. Various ingredients are put into the process, there are reactions and alterations that change the chemical make-up or cellular structure of the ingredients, and the end result is a new product (cells or plasmid DNA) that does not resemble the raw materials that were used in the beginning.

Another fundamental difference of the biotech industry is that in order to “harvest” our end product – plasmid DNA or RNA – we are required to use resins to “pull” the cells out of the fermented mixture used to create the cells. These resins, although not part of the final plasmid DNA product sold to a

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customer, are similar to conveyors or cranes. And, although in some cases these resins can be recycled for re-use, they are not used across multiple customer plasmid DNA products. In other words, the resins are similar to capital equipment, albeit with a short useful life.

There is also a fundamental difference in being able to track exactly how products are used within our industry. Although much of the biotech industry can be considered to be in research and development stages and many organizations, such as Universities, primarily focus on research and development, many companies perform both functions. As an example, many companies, such as J&J, Pfizer, Moderna and hundreds of others, are completing research on therapies that require plasmid DNA, RNA and proteins. These same companies now or in the future have commercially available therapies or vaccines (i.e., COVID vaccines). As this industry continues to evolve, it will become more balanced between research and development efforts and commercial efforts for approved therapies.

There are obviously many other differences between the biotech industry and other more readily visible product industries. The intent here is not to define all these differences, but rather, to explain that regardless of the fundamental differences, we believe the same intent of sales and use tax exemptions are equally applicable. Therefore, we support the adoption of revised sales and use tax exemption language to clarify the applicability of the exemptions to the bioscience and biotechnology industry. Specifically, we believe the exemption should apply to materials used in or required as an integral part of the research and development of or manufacture of bioscience and biotechnology products.

Sincerely,

Shawn McCormick
Chief Financial Officer

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