

To: House Finance & Taxation Committee
From: Bruce Gjovig, Chair, Bioscience Association of North Dakota (BioND)
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Date: February 5, 2022
RE: **For HB 1455 - Bioscience Sales & Use Tax Exemption**

As of 2020-21, at least 38 states (76%) offer exemptions on sales tax for equipment use in R&D, and 36 states reported exempting equipment purchased for biomanufacturing from sales tax. Eleven states have sales tax exemptions specifically targeted to bioscience firms. (Bioscience Economic Development in the States: Legislation & Job Creation Best Practices). North Dakota needs to be competitive to attract and grow the bioscience industry.

The **Bioscience Association of North Dakota (BioND)** seeks to build a vibrant, growing, biosciences industry (food, fuel, healthcare) in North Dakota. To do that, North Dakota needs to convince biotech entrepreneurs to remain in the state as well as to recruit biotech companies from outside the state to establish their businesses within the state. The competition for life sciences development is fierce, and other states and nations are making significant investments to advance their life science industries and leverage comparative advantages. *One of the most significant investments biotech companies make are in R&D equipment and manufacturing, thus a sales & use tax exemption on those upfront costs is highly desirable.*

Sales and use tax exemptions are used nationwide because they work for companies and their investors. Our **state income tax** has not been a deterrent for biocompanies to invest in North Dakota, but they do ask about **sales and use taxes exemptions** which 76% of states offer as an incentive. Companies care about economics esp. upfront investment and taxes on that investment.

Please do not look at the tax exemption as a loss of tax revenue, since if they do not invest, the taxes would not have been realized anyway. It is an incentive to invest in growth through R&D, equipment, and manufacturing – which growth generates other income, property and sales taxes that more than pay for the incentive in the healthcare, pharma, medical devices, agriculture, biofuels (energy), biochemicals, and environmental sciences. *Simply, incentives work and have a high return on investment (ROI).*

Developing new biotech products requires significant financial and human capital. The pace of discovery in this industry is extraordinary fast, the risk of failure is high, and often the road to product viability is long. Technology setbacks, regulatory approvals, patent issues, clinical trials, and market demand are headwinds that must be weathered. Securing financial backers in the process is critical in order to meet the considerable equipment and infrastructure costs needed to launch product development efforts. Sales tax exemptions help free up cash flow and maximize investment funds. When biotech companies are successful, the win is sometimes substantial. Biotech is the future of healthcare, agriculture, biomaterials, and biofuels. Sales tax exemptions are part of the economic development toolbox that work.

Thank you for your favorable consideration.