



Bioscience Association of North Dakota
4200 James Ray Drive
Suite 500
Grand Forks ND 58202

Ph: 701-738-2431
ndbio.com
richard@ndbio.com

**TESTIMONY OF RICHARD GLYNN
EXECUTIVE DIRECTOR OF THE
BIOSCIENCE ASSOCIATION OF NORTH DAKOTA**

Greetings Chairman Craig Headland and Esteemed Members Finance and Taxation Committee:

I am here before you to urge you to render a “Do Pass” recommendation for HB 1455, “relating to a sales and use tax exemption for materials used in the research and development of bioscience and biotechnology and manufacture of bioscience and biotechnology products”.

What this statute does is;

- 1). Prevent “Pyramiding” where intermediate products used to create a final end product is taxed as well as the end product itself when sold to the consumer.
- 2). It relieves a financial and administrative burden that directly impacts a businesses ability to invest in their business.
- 3). Provides an incentive for businesses to continue to expand and relocate to North Dakota.

The true retail sales and use tax in theory, is a tax on final consumption by households with little or no taxation of business purchases of operating or capital inputs. In other words, the true sales and use taxation is to occur when you have a final consumable product. Not in the creation of that product. What we have going on in North Dakota is a taxing on intermediate business inputs resulting in a “pyramiding,” or multiple taxation of part or all the same end transaction when finally purchased by the consumer. This statute “cures that” by making exempt all intermediate products used in the final consumable product.

For businesses, taxes are a financial and administrative burden that directly impacts their ability to invest in their business, their employees, and compete in the broader economy. Why are taxes so challenging for business owners? Taxes reduce profits, and profits are the primary source of financing for businesses – financing business owners use to increase wages, for capital investment, and expansion opportunities. And for business owners, profit levels are not always consistent or predictable year to year. Owners rely on strong profits to often support times of profit declines, which many owners continue to experience in the pandemic.

The goal of Bioscience Association of North Dakota is to build a vibrant, growing, life sciences industry in North Dakota. In order to do that, North Dakota needs to not only develop its resources from within and convince them to remain in the State but to recruit companies from outside the State to come and establish their businesses within the State. The competition for life sciences development is fierce, and other states, regions, and nations are making significant investments to advance their life science industries and

leverage comparative advantages. And one of their significant investments is the exemption of those businesses from the payment of Sales and Use taxes on intermediate products used in the creation of the final consumable product for both research, development (R&D) and manufacturing. 41 other States are utilizing sales and use tax exemption from sales and use tax to attract innovators and business to make their regions more attractive to life science companies.

In conclusion, I would like to say, North Dakota is home to a unique ecosystem of bioscience early stage and manufacturing companies that can utilize exemptions from sales taxes to move their cutting-edge research and commercialization efforts forward to retain and grow the industry in the State. This target tax reduction investment for the industry creates high-skill, high-wage jobs that diversify the state's economy, moderates facility operations, and supports the creation of improved standard of living and state and local taxes to support K-12 education, public safety and other budget priorities.

This is why I urge you to agree to a **“DO PASS” recommendation** on HB 1455.

Thank you for your time and attention to this important piece of Legislation.

Respectfully Submitted

Richard Glynn
Executive Director
Bioscience Association of North Dakota
richard@ndbio.com
701-317-2483