



## TESTIMONY

### RE: **HB 1455 – Bioscience Tax Exemption Bill**

Aldevron LLC supports the passage of House Bill No 1455 which provides “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.” The passage of this Bill will make North Dakota more competitive with other states as a location for bioscience company start-ups and bioscience business expansion.

We develop and custom manufacture nucleic acids and proteins at our facilities in North Dakota, Wisconsin, and Nebraska. Aldevron products become core components for a variety of research, clinical and commercial applications that are used around the world.

The process of developing and manufacturing custom products for our clients requires Aldevron to purchase expensive tangible inputs (examples below) which are used or consumed, and do not become an integral, ingredient or component part of the tangible personal property Aldevron sells to clients.

- Resin
- Cytosolic-associated glutamine amidotransferase enzyme
- Glycerol
- Guanosine triphosphate
- Potassium
- Restriction Enzymes
- Ribonuclease
- Rnase hydrolytic enzymes
- Buffer
- Agarose Gel
- Acetic Acid
- Alcohol
- Yeast
- Sterile Water
- Sodium/Ammonia Solutions

Current North Dakota law provides that “Items that become an **ingredient or component part** of tangible personal property intended to be sold ultimately at retail are exempt from sales tax.” N.D. Admin. Code § 81-04.1-01-12; N.D. Admin. Code § 81-04.1-01-23. This treatment of ingredients or component parts is typical in states assessing sales tax. North Dakota is competitive with other states in this regard.

Current North Dakota law provides that “**Chemicals and catalysts** are tax exempt only if they become an integral, ingredient or component part of tangible personal property intended to be sold ultimately at retail.” N.D. Admin. Code § 81-04.1-01-12; N.D. Admin. Code § 81-04.1-01-23. This treatment of chemicals and catalysts is not typical in states assessing sales tax.

#### **Aldevron**

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North Dakota is NOT competitive with other states in this regard. For example -

Minnesota law provides that “Chemicals and catalysts used or consumed in industrial production are exempt from sales and use tax. Minn. Stat. § 297A.68(2)(a); Minnesota Sales Tax Fact Sheet 147.

Wisconsin law provides that “Chemicals and catalysts are exempt if used exclusively and directly by a manufacturer in manufacturing an item destined for sale and the chemicals and catalysts become ingredients or component parts of the manufactured item or are consumed or destroyed or lose their identity in the manufacturing process. Wis. Stat. § 77.54(2); Wis. Admin. Code Tax § 11.41(1)(a); see Wisconsin Publication 203.

Under current law, non-bioscience manufacturers in North Dakota are likely exempt from ND sales tax on a much greater portion of their COGS inputs compared to bioscience manufacturers in North Dakota. This is due to the nature of bioscience manufacturing where vast inputs are used and consumed, and not an identifiable component of the finished good.

Current North Dakota law provides that “**Consumables** are not exempt from sales tax because only items that become an integral, ingredient or component part of tangible personal property are eligible for the manufacturing exemption. N.D. Admin. Code § 81-04.1-01-12; N.D. Admin. Code § 81-04.1-01-23. This treatment of consumables is not typical in states assessing sales tax. North Dakota is NOT competitive with other states in this regard. For example -

Minnesota law provides that “Consumables used in industrial production are exempt from sales and use tax. Including, petroleum products, lubricants, certain dies, jigs, patterns, and molds.” Minn. Stat. § 297A.68(2)(a); Minn. R. 8130.5500(9)(A); Minnesota Sales Tax Fact Sheet 147.

Wisconsin law provides that “Sales of tangible personal property are exempt from sales and use tax when that property is used exclusively and directly by a manufacturer in manufacturing an item that is destined for sale and that property is consumed or destroyed or loses its identity in manufacturing the item for sale. Wis. Stat. § 77.54(2); Wis. Admin. Code Tax § 11.41(1)(a); see Wisconsin Publication 203.

Passage of House Bill No 1455 will not only level the playing field for bioscience manufactures in North Dakota but will further encourage investment into an industry that is growing quickly and looking for viable and supportive states to set up business for the long term.

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