



**BioND**

**Bioscience Association of North Dakota**  
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**Dear Chairman Jordan L. Kannianen and Members of the Senate Finance and Taxation Committee;**

The following is testimony to this Committee in support of HB 1455, a Bill to create a “Sales tax exemption for materials used in the research and development of bioscience and biotechnology in the health care industry and manufacture of bioscience and biotechnology products used in the health care industry.”

The Bioscience Association is a state affiliate of the Biotechnology Innovation Organization (BIO), the largest trade association representing biotechnology companies in the U.S. and in more than 30 countries. One of the goals of the Bioscience Association of North Dakota is to not only help local biotech industries expand but to bring the advancing biotechnology industry to our State. The Biotech Industry was born and exploded in the United States in the year 1977. From that time, the Industry has grown and currently, in 2022, the market size, measured by revenue, is \$140.8 Billion dollars.

One of the major goals of the Association is to recruit more bioscience and biotechnology manufacturing companies, such as Aldevron, Genovac, and Agathos, to our State. These companies employ a great many people who are graduates of our Universities with Aldevron alone, employing over 850 people in its Fargo Plant. We want more Aldevron, Genovac and Agathos, to come and do their manufacturing in our State. But in order to “entice” them to come to our State we must have not only a competitive incentive package, but workforce availability, lower regulation, a business-friendly environment and a competitive tax package. It is the latter, a competitive tax package, where we fall behind.

These manufacturers must purchase expensive tangible inputs along with “Chemicals and catalysts” which are used or consumed, and do not become an integral, ingredient or component part of the tangible personal property. 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. Under current North Dakota law “Consumables, as well as Chemicals and catalysts 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, catalysts and chemicals is not typical in states assessing sales tax. North Dakota is NOT competitive with other states in this regard.

Two examples of this are Minnesota and Wisconsin, both fierce competitors in the attraction of biotech and bioscience manufacturing companies. “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.” It also provides that “Consumables used in industrial production are exempt