

Sixty-eighth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1455

Introduced by

Representatives O'Brien, Hagert, Monson, Roers Jones, Schauer, Schreiber-Beck

Senators Kreun, Patten, J. Roers, Wanzek

1 A BILL for an Act to create and enact a new subdivision to subsection 3 of section 54-35-26, a-
 2 new section to chapter 57-39.2, and a new subdivision to subsection 43 of section 57-40.2-03.3
 3 of the North Dakota Century Code, relating to evaluation of economic development tax
 4 incentives and a sales and use tax exemption for raw materials, single-use product contact
 5 systems, and reagents used in the research and development of bioscience and biotechnology-
 6 in the health care industry and manufacture of bioscience and biotechnology products for use in-
 7 the health care industry biologic manufacturing; and to provide an effective date.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1.** A new subdivision to subsection 3 of section 54-35-26 of the North Dakota
 10 Century Code is created and enacted as follows:

11 Sales and use tax exemption for raw materials, single-use product contact
 12 systems, and reagents used for biologic manufacturing.

13 **SECTION 2.** A new section to chapter 57-39.2 of the North Dakota Century Code is created
 14 and enacted as follows:

15 **Sales tax exemption for raw materials, single-use product contact systems, and**
 16 **reagents used in the research and development of bioscience and biotechnology in the-**
 17 **health care industry and manufacture of bioscience and biotechnology products used in-**
 18 **the health care industry for biologic manufacturing.**

- 19 1. Gross receipts from sales of tangible personal property purchased for use, storage, or-
 20 consumption directly and predominately in the research and development of-
 21 bioscience and biotechnology in the health care industry and raw materials or-
 22 consumables purchased, single-use product contact systems, and reagents used
 23 directly for discovery, testing, screening, and production for use, storage, or-

1 ~~consumption which are critical to~~ biologic manufacturing in the health care industry ~~this~~
2 ~~state are exempt from taxes under this chapter.~~

3 2. ~~To receive the exemption at the time of purchase, the qualified biotechnology taxpayer-~~
4 ~~or qualified bioscience taxpayer must receive from the tax commissioner a certificate~~
5 ~~that the tangible personal property, raw materials, single-use product contact systems,~~
6 ~~or consumables reagents qualify for the exemption. If a certificate is not received-~~
7 ~~before the purchase, the qualified biotechnology taxpayer or qualified bioscience-~~
8 ~~taxpayer shall pay the applicable tax imposed by this chapter and apply to the tax-~~
9 ~~commissioner for a refund.~~

10 3. ~~If the tangible personal property, raw materials, or consumables are purchased or-~~
11 ~~installed by a contractor subject to the tax imposed by this chapter, the qualified-~~
12 ~~biotechnology taxpayer or qualified bioscience taxpayer may apply for a refund of the-~~
13 ~~difference between the amount remitted by the contractor.~~

14 ~~4.~~ For purposes of this section:

15 a. "Biologic manufacturing" ~~includes~~ means the manufacturing process used to
16 support biologic product ~~discovery, development,~~ generation, product impurity
17 removal, chemical or physical product alteration, and analysis of in-process
18 ~~products to final deliverable products in the health care industry which exclusively~~
19 ~~occurs within this state.~~

20 b. ~~"Bioscience" means the use of compositions, methods, and organisms in cellular~~
21 ~~and molecular research, development, and manufacturing processes in the-~~
22 ~~health care industry, including pharmaceuticals, medical therapeutics, medical-~~
23 ~~diagnostics, medical devices, medical instruments, biochemistry, and-~~
24 ~~microbiology~~ "Single-use product contact systems" means tubing, capsule filters,
25 ion exchange membrane chromatography devices, mixers, bioreactors, sterile
26 fluid containment bags, connection devices, and sampling receptacles.

27 ~~c.~~ "Biotechnology" means:

28 ~~(1) The application of technologies for use in the health care industry to~~
29 ~~produce or modify products, to develop micro-organisms for specific uses,~~
30 ~~to identify targets for small pharmaceutical development, or to transform-~~
31 ~~biological systems into useful processes or products; and~~

- 1 ~~_____ (2) The potential endpoints of the resulting products, processes,~~
2 ~~micro-organisms, or targets for improving human health care outcomes.~~
3 ~~_____ d. "Raw materials" include chemicals, nutrients, reagents, and biologic catalysis.~~
4 ~~_____ e. "Research and development" means qualified research as defined in section~~
5 ~~41(d)(1) of the Internal Revenue Code [26 U.S.C. 41(d)(1)], except it does not~~
6 ~~include research conducted outside the state and research conducted for~~
7 ~~purposes unrelated to the health care industry.~~
8 ~~_____ f. "Tangible personal property" includes supplies used in laboratories, including~~
9 ~~microscopes, machines, glassware, computers, computer software, and technical~~
10 ~~books and manuals.~~
11 ~~_____ g. "Qualified bioscience taxpayer" means a person that is engaged in the business~~
12 ~~of bioscience in the health care industry in the state and has business operations~~
13 ~~in the state, including research, development, or production directed toward~~
14 ~~developing or providing bioscience products or processes in the health care~~
15 ~~industry for specific commercial or public purposes.~~
16 ~~_____ h. "Qualified biotechnology taxpayer" means a C corporation, partnership, limited~~
17 ~~liability company that is not a C corporation, S corporation, or sole proprietorship~~
18 ~~that purchases, stores, uses, or consumes tangible personal property to be used~~
19 ~~directly and predominately in the research and development of biotechnology in~~
20 ~~the health care industry or raw materials or consumables that are critical to~~
21 ~~biologic manufacturing in the health care industry.~~

22 ~~_____ SECTION 2. A new subdivision to subsection 4 of section 57-40.2-03.3 of the North Dakota~~
23 ~~Century Code is created and enacted as follows:~~

24 **SECTION 3.** A new subdivision to subsection 3 of section 57-40.2-03.3 of the North Dakota
25 Century Code is created and enacted as follows:

26 ~~Tangible personal property, raw~~Raw materials, ~~or consumables~~single-use product
27 ~~contact systems, and reagents used for biologic manufacturing~~ as authorized or
28 approved for exemption by the tax commissioner under section 42 of this Act.

29 **SECTION 4. EFFECTIVE DATE.** ~~This~~Sections 2 and 3 of this Act ~~is~~are effective for taxable
30 events occurring after June 30, 2023.