2025 HOUSE FINANCE AND TAXATION

HB 1571

2025 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee

Room JW327E, State Capitol

HB 1571
1/28/2025

Relating to the sales tax exemption for raw materials, single-use product contact systems, and reagents used for biologic manufacturing; and to provide an effective date.

11:16 a.m. Chairman Headland opened the hearing.

Members Present: Chairman Headland, Vice Chairman Hagert, Representatives Anderson, Dockter, Dressler, Foss, Grueneich, Ista, Motschenbacher, Nehring, Olson, Porter, Steiner, Toman

Discussion Topics:

- Research funding
- Bioscience grant program
- Previous legislature

11:16 a.m. Representative Steiner introduced the bill and submitted testimony #32172.

11:28 a.m. Andrea Pfennig, Director of Government Affairs, Greater ND Chamber, testified in opposition.

11:31 a.m. Shannon Fleischer, Office of State Tax Commissioner, stood for questions.

Additional written testimony:

Cale Dunwoody, Vice President of Public Policy, FMWF Chamber of Commerce, submitted testimony in opposition #32053.

Richard Glynn, Executive Director, Bioscience Association of ND, testified in opposition and submitted testimony #31975.

11:33 a.m. Chairman Headland adjourned the meeting.

Janae Pinks, Committee Clerk

Bioscience Association of North Dakota
4200 James Ray Drive, Suite 500, #503
Grand Forks ND
Richard Glynn, Exec. Director
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January 27, 2025

Dear Chairman Headland and Members of the House Finance and Taxation Committee;

The following is testimony to this Committee in opposition to HB 1571; Specifically Opposed to the repealing of the use tax exemption for raw materials, single-use product contact systems, and reagents used for biologic manufacturing; section 57-39.2-04.19 of the North Dakota Century Code.

This is currently an incentive to attract new companies to North Dakota. Many States have this incentive, and it is attractive to companies who are looking to locate their business in a state. This incentive goes right to the bottom line and companies are looking for incentives such as this. This incentive has not been operational in North Dakota long enough to see if it is yet successful here. Tax Policy takes time to work.

The bioscience industry is very competitive. When companies are looking for somewhere to make a home, the competitive states have sales and use tax exemption. It makes them a serious player in recruiting these companies.

If you want to retain companies like Aldevron and continue to build this industry, repealing this exemption will only send the message that our state does not want these types of companies making investments here. It sends a message that we don't support them. That they are meaningless to us, that they don't "count".

Right now, we have a major company deciding whether to move their operations from Fargo to Minnesota. That would be a tremendous blow to the North Dakota

economy. If this bill passes and they lose this exemption, it means they will have to pay about 2 million dollars a year to stay to do business in Fargo. But if they move their operations to Minnesota they get a 2 million dollar benefit almost immediately. In other words, they GAIN 2 million dollars a year IF they move.

That is a tangible incentive to move.

I would urge the committee to not recommend passage of HB 1571 and keep this exemption as it is now.

Richard Glynn
Executive Director of the Bioscience Assn of North Dakota
Grand Forks, North Dakota
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THE CHAMBER
FARGO MOORHEAD WEST FARGO

Letter of Opposition – HB 1571

Tuesday, January 28, 2025

Chairman Headland and members of the House Finance and Taxation Committee,

For the record, my name is Cale Dunwoody, and I have the distinct pleasure of serving as the Vice President of Public Policy for the Fargo Moorhead West Fargo Chamber of Commerce (FMWF Chamber). On behalf of our over 1,700 members, I respectfully offer testimony in opposition to House Bill 1571.

At the FMWF Chamber, our mission is to protect and promote business, inspire individuals, cultivate communities, and influence action. As we continue to diversify our economy, the bioscience industry shows great promise of economic development through wealth and job creation across our region and state. The industry is one of strong competition, and as such, incentives have a large influence on our state's ability to attract and retain highly impactful companies.

Repeal of the tax exemption for raw materials, single-use product contact systems, and reagents for biologic manufacturing, would hinder the economic development momentum of this industry. Our region has seen great strides in this emerging industry over the last decade. Gross Regional Product (GRP) grew from $87.5 million in 2013 to $418.6 million in 2023. Notable growth occurred between 2022 and 2023 when GRP grew from $320 million to $418.6 million – nearly $100 million increase in a single year. In addition to this growth, the industry supports the North Dakota economy – paying over $167 million in wages and salaries to its employees in 2023.

The removal of this incentive would put North Dakota at a competitive disadvantage in relation to the many states where exemptions apply, making our region less attractive to potential and existing businesses. As such, we respectfully urge the committee to give this bill a DO NOT PASS recommendation.

Thank you for your attention to this matter and your commitment to North Dakota.

Sincerely,

Cale Dunwoody
Vice President of Public Policy
Fargo Moorhead West Fargo Chamber of Commerce

Steiner

Thank you Mr. Chairman Members of the House Finance and Tax Committee

Vicky Steiner, District 37, Dickinson

This bill, 1571, repeals the bioscience sales tax exemption for raw materials, single use product contact systems and reagents used for biologic manufacturing

We could not get the required information in the interim Tax Committee that vice chair Hagert chaired last year. We had been sold this tax break on the premise that 100 companies would be drawn to this tax break but when the Tax Commissioner came to give us the data that was required by law, he refused. He said there are less than 5 companies benefiting so it appears this tax break has not created one job or drawn one company.

In one of the Appropriations budget bills, we spent $8 million on grants to Bioscience and it may be more but that's my memory of additional money spent on this industry.

The fiscal note reveals that requiring sales and use tax would mean that this company or less than 5 companies would pay about $4.3 million dollars to the general fund and $416,000 for state aid fund.

Given that the promises for jobs in ND have not been met, I urge support to remove this excessive tax break.

I stand for questions.

2025 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee

Room JW327E, State Capitol

HB 1571
1/28/2025

Relating to the sales tax exemption for raw materials, single-use product contact systems, and reagents used for biologic manufacturing; and to provide an effective date.

2:50 p.m. Chairman Headland opened the meeting.

Members Present: Chairman Headland, Vice Chairman Hagert, Representatives Anderson, Dockter, Foss, Grueneich, Ista, Motschenbacher, Nehring, Olson, Porter, Steiner, Toman
Members Absent: Representative Dressler

Discussion Topics:

- Committee action

2:50 p.m. Representative J. Olson moved a Do Not Pass.

2:50 p.m. Vice Chairman Hagert seconded the motion.

2:51 p.m. Representative Motschenbacher voiced his support of the motion

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Jason Dockter	Y
Representative Ty Dressler	AB
Representative Jim Grueneich	Y
Representative Mike Motschenbacher	Y
Representative Dennis Nehring	N
Representative Jeremy Olson	Y
Representative Todd Porter	Y
Representative Vicky Steiner	N
Representative Nathan Toman	N
Representative Austin Foss	Y
Representative Zachary Ista	N

2:55 p.m. Motion passed 9-4-1.

2:56 p.m. Representative D. Anderson will carry the bill.

2:56 p.m. Chairman Headland closed the meeting.

Janae Pinks, Committee Clerk

REPORT OF STANDING COMMITTEE
HB 1571 (25.1229.01000)

Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1571 was placed on the Eleventh order on the calendar.