

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 section to chapter 57-39.2 and a new subdivision to
2 subsection 4 of section 57-40.2-03.3 of the North Dakota Century Code, relating to a sales and
3 use tax exemption for materials used in the research and development of bioscience and
4 biotechnology and manufacture of bioscience and biotechnology products; and to provide an
5 effective date.

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

7 **SECTION 1.** A new section to chapter 57-39.2 of the North Dakota Century Code is created
8 and enacted as follows:

9 **Sales tax exemption for materials used in the research and development of**
10 **bioscience and biotechnology and manufacture of bioscience and biotechnology**
11 **products.**

- 12 1. Gross receipts from sales of tangible personal property purchased for use, storage, or
13 consumption directly and predominately in the research and development of
14 bioscience and biotechnology and raw materials or consumables purchased for use,
15 storage, or consumption which are critical to biologic manufacturing.
- 16 2. To receive the exemption at the time of purchase, the qualified biotechnology taxpayer
17 or qualified bioscience taxpayer must receive from the tax commissioner a certificate
18 that the tangible personal property, raw materials, or consumables qualify for the
19 exemption. If a certificate is not received before the purchase, the qualified
20 biotechnology taxpayer or qualified bioscience taxpayer shall pay the applicable tax
21 imposed by this chapter and apply to the tax commissioner for a refund.
- 22 3. If the tangible personal property, raw materials, or consumables are purchased or
23 installed by a contractor subject to the tax imposed by this chapter, the qualified

1 biotechnology taxpayer or qualified bioscience taxpayer may apply for a refund of the
2 difference between the amount remitted by the contractor.

3 4. For purposes of this section:

4 a. "Biologic manufacturing" includes the manufacturing process used to support
5 biologic product generation, product impurity removal, chemical or physical
6 product alteration, and analysis of in-process to final deliverable products.

7 b. "Bioscience" means the use of compositions, methods, and organisms in cellular
8 and molecular research, development, and manufacturing processes in areas,
9 including pharmaceuticals, medical therapeutics, medical diagnostics, medical
10 devices, medical instruments, biochemistry, microbiology, veterinary medicine,
11 plant biology, and agriculture and industrial, environmental, and homeland
12 security applications of bioscience.

13 c. "Biotechnology" means:

14 (1) The application of technologies to produce or modify products, to develop
15 micro-organisms for specific uses, to identify targets for small
16 pharmaceutical development, or to transform biological systems into useful
17 processes or products; and

18 (2) The potential endpoints of the resulting products, processes,
19 micro-organisms, or targets for improving human or animal health care
20 outcomes.

21 d. "Raw materials" include chemicals, nutrients, reagents, and biologic catalysis.

22 e. "Research and development" means qualified research as defined in section
23 41(d)(1) of the Internal Revenue Code [26 U.S.C. 41(d)(1)], except it does not
24 include research conducted outside the state.

25 f. "Tangible personal property" includes capital equipment, instruments, apparatus,
26 inputs, and supplies used in laboratories, including microscopes, machines,
27 glassware, computers, computer software, and technical books and manuals.

28 g. "Qualified bioscience taxpayer" means a person that is engaged in the business
29 of bioscience in the state and has business operations in the state, including
30 research, development, or production directed toward developing or providing
31 bioscience products or processes for specific commercial or public purposes.

1 h. "Qualified biotechnology taxpayer" means a C corporation, partnership, limited
2 liability company that is not a C corporation, S corporation, or sole proprietorship
3 that purchases, stores, uses, or consumes tangible personal property to be used
4 directly and predominately in the research and development of biotechnology or
5 raw materials or consumables that are critical to biologic manufacturing.

6 **SECTION 2.** A new subdivision to subsection 4 of section 57-40.2-03.3 of the North Dakota
7 Century Code is created and enacted as follows:

8 Tangible personal property, raw materials, or consumables as authorized or
9 approved for exemption by the tax commissioner under section 1 of this Act.

10 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
11 June 30, 2023.