

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 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 in the health care industry and manufacture of bioscience and biotechnology
5 products for use in the health care industry; and to provide an 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 in the health care industry and manufacture of bioscience**
11 **and biotechnology products used in the health care industry.**

- 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 in the health care industry and raw materials or
15 consumables purchased for use, storage, or consumption which are critical to biologic
16 manufacturing in the health care industry.
- 17 2. To receive the exemption at the time of purchase, the qualified biotechnology taxpayer
18 or qualified bioscience taxpayer must receive from the tax commissioner a certificate
19 that the tangible personal property, raw materials, or consumables qualify for the
20 exemption. If a certificate is not received before the purchase, the qualified
21 biotechnology taxpayer or qualified bioscience taxpayer shall pay the applicable tax
22 imposed by this chapter and apply to the tax commissioner for a refund.
- 23 3. If the tangible personal property, raw materials, or consumables are purchased or
24 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 in the
7 health care industry.

8 b. "Bioscience" means the use of compositions, methods, and organisms in cellular
9 and molecular research, development, and manufacturing processes in the
10 health care industry, including pharmaceuticals, medical therapeutics, medical
11 diagnostics, medical devices, medical instruments, biochemistry, and
12 microbiology.

13 c. "Biotechnology" means:

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

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

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

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

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

28 g. "Qualified bioscience taxpayer" means a person that is engaged in the business
29 of bioscience in the health care industry in the state and has business operations
30 in the state, including research, development, or production directed toward

1 developing or providing bioscience products or processes in the health care
2 industry for specific commercial or public purposes.
3 h. "Qualified biotechnology taxpayer" means a C corporation, partnership, limited
4 liability company that is not a C corporation, S corporation, or sole proprietorship
5 that purchases, stores, uses, or consumes tangible personal property to be used
6 directly and predominately in the research and development of biotechnology in
7 the health care industry or raw materials or consumables that are critical to
8 biologic manufacturing in the health care industry.

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

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

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