



North Dakota House of Representatives

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COMMITTEES:
Appropriations

February 6, 2023

House Bill 1455 Finance and Taxation Committee Representative Headland, Chairman

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

I am Representative Emily O'Brien, from District 42, Grand Forks, North Dakota.

House Bill 1455 would provide a sale and use tax exemption for materials used in the research and development of bioscience and biotechnology and the manufacture of bioscience and biotechnology products.

What is bioscience and biotechnology? – as defined under House Bill 1455 – bioscience means the use of compositions, methods, and organisms in cellular and molecular research, development, and manufacturing processes in areas including pharmaceuticals, medical therapeutics, medical diagnostics, medical devices, medical instruments, biochemistry, microbiology, veterinary medicine, plant biology, and agriculture and industrial, environmental, and homeland security applications of bioscience. Biotechnology is the application of technologies to produce or modify products, to develop micro-organisms for specific uses, to identify targets for small pharmaceutical development, or to transform biological systems into useful processes or products.

The potential endpoints of these resulting products, processes, micro-organisms, or target for improving human or animal health care outcomes.

There is a growing recognition among other states and their policymakers that biotechnology innovation can help solve many of the problems in America, and hundreds of early-stage companies are being established in this industry.

Currently, there are over 30+ tax incentives for businesses in North Dakota. Some examples include agricultural commodity processing plant construction materials (NDCC 57-38.6), liquefied gas processing (NDCC 57-39.2-04.10), and biodiesel equipment (57-38-01.22, 57-38-01.23 and 57-38-30.6). All of which are important.

When I think about revenue and economic development driven by House Bill 1455 – I can think of five major sectors –

1. Agricultural Feedstock and Chemicals
2. Drugs and Pharmaceuticals
3. Medical Devices and Equipment
4. Research, Testing, and Medical Laboratories
5. Bioscience – Related Distribution

The Bioscience industry uses the knowledge of living organisms or other biological systems to manufacture innovative products that address health, agricultural and environmental challenges. This diverse industry spans many markets and includes manufacturing, services, and research activities. The United States bioscience industry continues to be a significant economic engine creating high-wage, family-sustaining jobs with average wages well above the private sector.

In a study by TEconomy, nationally, in 2021, the Bioscience Industry employed 10.3 million individuals, with a total of \$796 billion in wages and benefits, an economic output of \$2.9 trillion, paying \$102 billion in state and local taxes, and \$169 billion in federal taxes.

During the Interim, we learned from the Biotechnology Innovation Organization study on North Dakota's Competitive Bioscience Technology industry that in 2018 there were 4,159 employees, in 524 establishments, making an average of \$64,269.00 annually. That equates to the bioscience industry putting \$267.3 million per year into the economy of North Dakota.

In 2021, North Dakota bioscience firms increased their employment base by 7% since 2018 to reach 4,299 industry jobs spanning 602 business establishments, making an average of \$84,600 annually. That equates to the bioscience industry putting \$363.7 million per year into the economy of North Dakota.

The specialized employment concentration is in two of the industry's subsectors – agricultural feedstock, industrial biosciences, and bioscience-related distribution.

House Bill 1455 is not just key to growing North Dakota's economy and creating more jobs – it unlocks the door to medical advances that may ultimately save lives and reduce healthcare expenses.

House Bill 1455 could be at the forefront of turning corn and soybeans into sources of renewable energy, building products, and even pharmaceuticals.

House Bill 1455 would modernize tax incentives that are already given to other industries in the state. This is nothing new.

Section 1. Explains what would qualify under the sales tax exemption –

Subsection 1. Gross receipts from sales of tangible personal property for use, storage, or consumption directly and predominately in the research and development of bioscience and biotechnology and raw materials or consumables purchased for use, storage, or consumption which are critical to biologic manufacturing.

Subsection 2. The qualified bioscience or biotechnology taxpayer must receive from the tax commissioner a certificate that the tangible personal property qualifies for the exemption.

Subsection 3. If the tangible personal property is purchased or installed by a contractor subject to the tax imposed by this chapter, the qualified bioscience or qualified biotechnology taxpayer may apply for a refund of the difference between the amount remitted by the contractor.

Subsection 4. Definitions

Section 2. Authorization of the Tax Commissioner to authorize or approve tangible personal property, raw materials, or consumables as authorized under section 1 of this Act.

Section 3. Provides the effective date for taxable events occurring after June 30, 2021.

There is a fiscal note attached to House Bill 1455. As you will see in the fiscal note, it is stated that House Bill may reduce state general fund and state aid distribution fund revenues in the 2023-2025 biennium, but to what degree qualifying bioscience and biotechnology projects will be undertaken is not known.

What I do know is that we are competing with other states – companies are not afraid to relocate their businesses to states with more competitive business incentives. If current bioscience companies in North Dakota decide to relocate to states with bioscience business incentives – we will see a reduction in state general fund and state aid distribution fund revenues.

House Bill 1455 has only one difference from House Bill 1456 from the last session – which adds manufacturing. A co-sponsor from the other chamber wanted to include manufacturing on this bill.

Thank you Chairman Headland and members of the committee. I will stand for any questions.

