

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 ~~4~~3 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.