

HOUSE BILL NO. 1456

Introduced by

Representatives O'Brien, Monson, Schreiber-Beck

Senators Kreun, 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 to provide an effective date.

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

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

8 **Sales tax exemption for materials used in the research and development of**
9 **bioscience and biotechnology.**

- 10 1. Gross receipts from sales of tangible personal property purchased for use, storage, or
11 consumption directly and predominately in the research and development of
12 bioscience and biotechnology.
- 13 2. To receive the exemption at the time of purchase, the qualified biotechnology taxpayer
14 or qualified bioscience taxpayer must receive from the tax commissioner a certificate
15 that the tangible personal property qualifies for the exemption. If a certificate is not
16 received before the purchase, the qualified biotechnology taxpayer or qualified
17 bioscience taxpayer shall pay the applicable tax imposed by this chapter and apply to
18 the tax commissioner for a refund.
- 19 3. If the tangible personal property is purchased or installed by a contractor subject to the
20 tax imposed by this chapter, the qualified biotechnology taxpayer or qualified
21 bioscience taxpayer may apply for a refund of the difference between the amount
22 remitted by the contractor.
- 23 4. For purposes of this section:

- 1 a. "Bioscience" means the use of compositions, methods, and organisms in cellular
2 and molecular research, development, and manufacturing processes in areas,
3 including pharmaceuticals, medical therapeutics, medical diagnostics, medical
4 devices, medical instruments, biochemistry, microbiology, veterinary medicine,
5 plant biology, and agriculture and industrial, environmental, and homeland
6 security applications of bioscience.
- 7 b. "Biotechnology" means:
8 (1) The application of technologies to produce or modify products, to develop
9 micro-organisms for specific uses, to identify targets for small
10 pharmaceutical development, or to transform biological systems into useful
11 processes or products; and
12 (2) The potential endpoints of the resulting products, processes,
13 micro-organisms, or targets for improving human or animal health care
14 outcomes.
- 15 b. "Research and development" means qualified research as defined in
16 section 41(d)(1) of the Internal Revenue Code [26 U.S.C. 41(d)(1)], except it
17 does not include research conducted outside the state.
- 18 c. "Tangible personal property" includes capital equipment, instruments, apparatus,
19 inputs, and supplies used in laboratories, including microscopes, machines,
20 glassware, chemical reagents, computers, computer software, and technical
21 books and manuals.
- 22 d. "Qualified bioscience taxpayer" means a person that is engaged in the business
23 of bioscience in the state and has business operations in the state, including
24 research, development, or production directed toward developing or providing
25 bioscience products or processes for specific commercial or public purposes.
- 26 e. "Qualified biotechnology taxpayer" means a C corporation, partnership, limited
27 liability company that is not a C corporation, S corporation, or sole proprietorship
28 that purchases, stores, uses, or consumes tangible personal property to be used
29 directly and predominately in the research and development of biotechnology.

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

1 Tangible personal property as authorized or approved for exemption by the tax
2 commissioner under section 1 of this Act.

3 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
4 June 30, 2021.