

**FIRST ENGROSSMENT  
with Conference Committee Amendments  
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 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 for biologic manufacturing; to provide for a legislative management  
6 report; to provide an effective date; and to provide an expiration date.

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

8 **SECTION 1.** A new subdivision to subsection 3 of section 54-35-26 of the North Dakota  
9 Century Code is created and enacted as follows:

10 Sales and use tax exemption for raw materials, single-use product contact  
11 systems, and reagents used for biologic manufacturing.

12 **SECTION 2.** A new section to chapter 57-39.2 of the North Dakota Century Code is created  
13 and enacted as follows:

14 **Sales tax exemption for raw materials, single-use product contact systems, and**  
15 **reagents used for biologic manufacturing - Report.**

16 1. Gross receipts from sales of raw materials, single-use product contact systems, and  
17 reagents used directly for discovery, testing, screening, and production for biologic  
18 manufacturing in this state are exempt from taxes under this chapter.

19 2. To receive the exemption at the time of purchase, the taxpayer must receive from the  
20 tax commissioner a certificate that the raw materials, single-use product contact  
21 systems, or reagents qualify for the exemption.

22 3. For purposes of this section:

23 a. "Biologic manufacturing" means the manufacturing process used to support  
24 biologic product discovery, development, generation, product impurity removal,

- 1                   chemical or physical product alteration, and analysis of in-process products to  
2                   final deliverable products which occurs exclusively within this state.
- 3           b.   "Single-use product contact systems" means tubing, capsule filters, ion exchange  
4                   membrane chromatography devices, mixers, bioreactors, sterile fluid containment  
5                   bags, connection devices, and sampling receptacles.
- 6           4.   a.   By April first of each year, each taxpayer that received the exemption under this  
7                   section in the preceding calendar year shall file with the tax commissioner, on  
8                   forms and in the manner prescribed by the tax commissioner, a report showing  
9                   for the calendar year preceding the reporting deadline in this subdivision, the  
10                  taxpayer's:
- 11                  (1)   Total sales and use tax liability exempted under this section;  
12                  (2)   Total gross payroll;  
13                  (3)   Total property taxes paid and square footage of buildings owned by the  
14                          taxpayer;  
15                  (4)   Total North Dakota workforce safety and insurance premiums paid;  
16                  (5)   North Dakota unemployment taxes paid; and  
17                  (6)   Total state income tax withheld by the taxpayer.
- 18           b.   Failure to file the report required under subdivision a is cause to disallow the  
19                   exemption due to noncompliance. The tax commissioner shall provide notice of  
20                   the disallowed exemption to the taxpayer and assess any sales and use tax due.  
21                   An assessment of tax made under this subsection is final and irrevocably fixed.
- 22           c.   By June first of each year, the tax commissioner shall submit to the legislative  
23                   management a written report summarizing the information received under  
24                   subdivision a, including a comparison of information received in the current  
25                   calendar year with data received in the preceding calendar year.

26           **SECTION 3.** A new subdivision to subsection 3 of section 57-40.2-03.3 of the North Dakota  
27 Century Code is created and enacted as follows:

- 28                   Raw materials, single-use product contact systems, and reagents used for  
29                   biologic manufacturing as authorized or approved for exemption by the tax  
30                   commissioner under section 2 of this Act.

1       **SECTION 4. EFFECTIVE DATE - EXPIRATION DATE.** Sections 2 and 3 of this Act are  
2 effective for taxable events occurring after June 30, 2023, and before July 1, 2029, and are  
3 thereafter ineffective.