

March 12, 2019

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BioCT Testimony in**“Support for”****S.B. No. 1026: AN ACT ESTABLISHING CERTAIN INCENTIVES TO GROW THE BIOSCIENCE INDUSTRY IN THE STATE**

Senator Hartley, Representative Simmons, Senator Cohen, Representative Elliott, Senator Martin, Representative Cummings and the distinguished members of the Commerce Committee, thank you for the opportunity to submit testimony on this bill.

My name is Dawn Hocevar and I am President and CEO of BioCT. BioCT is the bioscience industry voice for the state of Connecticut. Our mission is to grow the vibrant bioscience ecosystem in Connecticut by supporting innovation, collaboration, networking, education, talent engagement and advocacy. We bring together companies, institutions, entrepreneurs, investors, government, service providers, and other passionate, dedicated people, to build a thriving community to improve patients' lives and public health, while driving economic growth.

S.B. No. 1026 is very supportive of the bioscience industry and BioCT is in support **EXCEPT** for the following:

1) Capital stock tax – exempts companies with less than \$500,000 of net income from the Capital Stock Tax. Generally speaking, net income is computed as follows: [revenues LESS deductions LESS prior year net operating losses]. This proposal will provide significant benefit to pre-revenue companies and companies in operating losses.

This proposed bill will **greatly harm bioscience companies with greater than \$500,000** of net income which would still be subject to the Capital Stock Tax to the extent the Capital Stock Tax is greater than such Company's corporate net income tax. If they have heavy presence in CT the Capital Stock Base will be apportioned at a higher %. This will negatively impact growing companies who will then not receive any benefit in a year where it starts receiving licensing revenues and its “net income” is greater than \$500,000. If they are a global company with its HQ in CT its income will get apportioned within and without CT. Accordingly, its CT apportionment [for income purposes] is relatively small but its apportionment for the Capital Base Tax is very high. **This can result**

in upwards of \$375,000 of CT tax annually even though they might only have net income of \$500,000.

CT has many small bio companies that will be helped however in order to gain more jobs and revenue the industry needs to retain companies that are growing (like Arvinas) and recruit other larger companies however this tax will be detrimental. It will cause companies, like Alexion did, to move the company or their HQ out of CT so they do not have to pay this burden.

BioCT's recommendation regarding the Capital Stock Tax is to either phase it out altogether as H.B. No. 5261 proposes or spread out the burden as H.B. No. 6459 proposes. Either of these two House Bills will help keep bio companies in CT. The language in section a-1 should be modified as per the abovementioned House Bills.

2) R&D Tax Credit – the Bill provides that Companies can offset 100% of their tax liability with R&D tax credits. Currently, companies can only offset 70% of their tax liability. This is very positive for the industry.

On behalf of BioCT and the bioscience industry in the state of Connecticut we support the overall bill **with modifications to the Capital Stock Tax as per above.**

Sincerely
Dawn

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