

BILL ANALYSIS

C.S.H.B. 2423
By: McCall
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The sales and use tax exemption available for semiconductor cleanrooms is currently not available for other cleanroom environments such as bio-tech. Extending the exemption to pharmaceutical biotechnology manufacturers would facilitate the establishment of bio-tech clusters in Texas. Industry sources indicate that these companies could be expected to produce a job's multiplier effect on a local or regional economy of 3.5 or greater. C.S.H.B. 2423 extends the exemption to pharmaceutical biotechnology cleanrooms and equipment.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Amends Section 151.318, Tax Code, by amending Subsections (b) and (s) and adding Subsection (q-1). The bill adds pharmaceutical biotechnology cleanrooms and equipment to the list of exemptions under the section. It also defines "pharmaceutical biotechnology cleanrooms and equipment" to mean all tangible personal property used in manufacturing, processing, or fabrication in a cleanroom environment of a pharmaceutical biotechnology product. The definition includes moveable cleanroom partitions and lighting but not the building or a permanent, nonremovable component of the building that houses the cleanroom environment.

SECTION 2. Amends Section 151.3181, Tax Code. The bill adds that a pharmaceutical biotechnology product that is not sold is not a divergent use if the use occurs during the certification process by the U.S. Food and Drug Administration.

SECTION 3. Amends Section 313.021(2), Tax Code, to include Subsection (q-1) as qualified property for purposes of a partial exemption from the impact fee assessed under Chapter 313, Tax Code.

EFFECTIVE DATE

SECTION 4. This Act takes effect July 1, 2003 if it receives a vote of two-thirds of all members elected to each house. If the Act does not receive the vote necessary for effect on that date, the Act takes effect September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

In an effort to reduce any fiscal implication, the committee substitute changes "biotechnology cleanroom" to specifically "pharmaceutical biotechnology cleanroom" as it relates to the sales and use tax. This change can be found throughout the committee substitute.

C.S.H.B. 2423 adds a new SECTION 2 and renumbers the remaining sections accordingly. SECTION 2 of C.S.H.B. 2423 now reads that Section 151.3181, Tax Code, is amended by adding Subsection (h)

to read as follows: The use of pharmaceutical biotechnology cleanrooms and equipment that qualify for the exemption is not a divergent use if the use occurs during the certification process by the U.S. Food and Drug Administration.