

Representative Sean Scanlon, Co-Chair

March 25, 2022

Senator John Fonfara, Co-Chair

Representative Holly Cheeseman, Ranking Member

Senator Henri Martin, Ranking Member

Re: HB 5488, An Act Concerning A Research and Development Expenses Tax Credit for Pass-Through Entities

Dear Co-Chairs Scanlon and Fonfara and Ranking Members Cheeseman and Martin and members of the Finance, Revenue, and Bonding Committee,

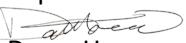
My name is Dawn Hocevar, President and CEO of BioCT. We are the voice of the life science industry in Connecticut and represent over 250 Connecticut life sciences companies, academic institutions, service providers and patient organizations. On behalf of the biotech industry in the state, I am writing in support of the bill and respectfully ask that you modify the existing language to expand the refund exchange from the current level of 65% to 90% as well as increase the current credit percentage from 70% to 90% for the biotech industry.

The biotech industry in Connecticut is growing organically within the state with most new companies being established by Connecticut entrepreneurs and commercialization from Yale University. These startup companies need support and incentives in order to stay here in our state as they grow. As of 2021 the biotech industry in Connecticut had 22,367 employees with average annual wages of \$188, 238 in 1,349 establishments.

In order to keep growing companies here and begin to attract companies from other states, Connecticut must expand its attractiveness to the biotech industry. Connecticut is rich with certain resources including attractive lifestyle and a developed, knowledgeable, educated and trained workforce. Massachusetts and New York are aggressively attracting new companies. They enacted lucrative tax credit programs to attract biotech companies to their states, with most incentives refundable at 90%-100%.

The State of Connecticut in 2019 passed HB 7424 which authorized phase out of the capital base tax through 2024. That was a very positive signal to the industry however Connecticut's decision in 2021 with SB 1202 to defer the capital tax phase-out has had a negative impact on the biotech business community. Unlike non-biotech companies that generate revenues shortly after formation, the biotech runway to revenue can be a 10 to 15-year cycle from inception to commercialization of product. During that time, the key to long-term success is continued equity investment. Pursuant to the Connecticut capital base regime, these biotech companies are paying tax to Connecticut for every dollar invested in perpetuity regardless of whether revenue is generated. The give and take away created through these actions create instability and signals to the industry that they cannot count on Connecticut as a partner to help project their finances.

Last year, the General Assembly took the first step in reaffirming its commitment to the biotech sector by increasing the credit from 50% to 70% over two years. Thank you for your efforts, and, more is needed. Increasing the R&D tax credit exchange percentage to 90% and increasing the tax credit offset to 90% of tax is an additional step toward reassuring the biotech industry that Connecticut wants the biotech industry to flourish in Connecticut. Dollars saved by the biotech industry act as a force multiplier and the positive impact to the state is significantly greater than the direct ROI. I urge you to amend HB 5488 and provide relief to the state's growing biotech sector. Thank you for your time and attention to this important matter.


Dawn Hocevar

President & CEO
BioCT