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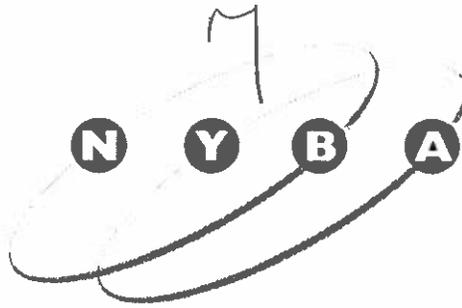
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New York Biotechnology Association Testimony In Support of Extending the Qualified Emerging Technology Company Facilities Operations and Training Credit

The New York Biotechnology Association (“NYBA”) represents biotechnology interests for over 250 corporate member companies, universities, research consortia, and growers in New York. Accordingly, NYBA attempts to ensure that New York realizes the economic benefits of a strong bioscience base.

NYBA submits this testimony in support of extending the Facilities Operations and Training Credit portion of the Qualified Emerging Technology Company program. The Qualified Emerging Technology Company tax credit program (“QETC”) was designed to foster investment and growth in the small, high technology companies that the state’s economy will increasingly rely upon. It is no surprise that the state is focused on these types of jobs. They are higher paying and have more indirect economic benefits than most any other sector of the economy.

The state developed the QETC program in 1998 because it was obvious then that the state needed to encourage high technology economic development. However, the program was severely underutilized. Accordingly, the state developed the QETC Facilities Operations and Training Credit (“FOTC”) in 2005 to make a greater effort to encourage the growth of high technology companies in the state.

The program provides a refundable tax credit for investments in facilities, research and development operations and worker training. Traditional tax credits do not really help companies like this because in all likelihood, they are years away from earning a profit and their tax liability is minimal. With the FOTC credit, however, these small companies are rewarded with an actual refund check for making investments in their own growth here in New York. Unfortunately, the FOTC portion of the QETC program expired at the end of 2011. This credit must be extended, and we write this memorandum in support of such an extension.

The FOTC provides a credit of up to \$250,000 per year for four years, *and the credit is fully refundable*. It is calculated by aggregating the following: a research and development property credit for costs related to the purchase or lease of property to be used for research and development; a qualified research expense credit for costs associated with in-house research and development; and a high technology training credit for training expenses of employees at colleges or universities in New York.

New York Biotechnology Association, Inc.

195 Health Sciences Drive, Suite 202, Stony Brook, NY 11790 • 631.444.8895 • Fax: 631.444.8896 • Email: info@nyba.org
www.nyba.org

The benefits of this credit are generous, and so additional criteria beyond QETC eligibility were developed to ensure that only growing high technology companies received the credit. To be eligible, an entity must have less than \$20 million in gross revenue, fewer than 100 full-time employees (at least 75% based in New York), and a ratio of New York-based research and development spending to net sales of at least 6%.

As planned, small and medium sized businesses in strategic high technology fields throughout the state have come to rely upon these credits. For example, more than 150 members of the Aerospace and Defense Diversification Alliance in Peacetime Transition use the credit, as do 50 members of the New York Biotechnology Association. Companies in the photonics, nanotechnology, and information technology industries also use the credit.

The FOTC has been especially crucial in the past three years. With the collapse of the financial markets in 2008, commercial banks refused to offer the revolving loans that growing companies rely upon. Many high technology businesses in the state were able to weather the economic disruption because they were able to use the refundable credit in lieu of other funding sources that were unavailable at the time.

The FOTC is also critical because of uncertainty regarding other economic development tools. The Empire Zone program is being phased out, and the new Excelsior Jobs Program does not target small, growing emerging technology companies.

This would be a terrible time to kill one of the state's most effective tools for encouraging high technology economic development. In fact, the FOTC is one of the few programs that make New York competitive for high technology growth. Although we spend billions of dollars on research and development, other states often experience much of the economic benefit as our companies increasingly move to locales with lower tax rates, energy costs, and labor costs. Or, other states lure these companies away from New York with aggressive benefit packages.

Thankfully, no other state offers a refundable tax credit like the FOTC. It must be renewed to make New York a competitive place to do business and to foster the growth of one of the most critical sectors of the economy.

Finally, allowing this tax credit to expire would be the equivalent of raising taxes on growing high technology companies: the very companies that the State is relying upon to lead us to an economic recovery.

It is for these reasons that both houses of the legislature UNANIMOUSLY passed a bill to extend the FOTC credit last year (A.7705-B / S.5633-B). Unfortunately, the Governor vetoed the legislation, stating that legislation such as this should be addressed in the budget. Accordingly, I urge the legislature to ensure that the budget provides for the extension of this strategic credit.

If you would like further information regarding this credit, and its importance to the biotechnology sector in New York, please contact Executive Director Nathan Tinker at (631) 444-8895.