

# MAINE STATE LEGISLATURE

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# 118th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1997

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Legislative Document

No. 1287

S.P. 390

In Senate, February 27, 1997

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**An Act to Promote the Biotechnology Industry in the State by Clarifying That Manufacturing Production Includes Biotechnology Production Processes and That the Exemption from Sales Tax for Research and Development Includes Equipment and Supplies Used in Research Development and Regulatory Compliance Testing of Bioproducts.**

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator HARRIMAN of Cumberland.

Cosponsored by Senators: ABROMSON of Cumberland, DAGGETT of Kennebec, RUHLIN of Penobscot, Representatives: PINKHAM of Brunswick, VIGUE of Winslow.

Be it enacted by the People of the State of Maine as follows:

2  
3       **Sec. 1. 36 MRSA §1752, sub-§9-B,** as amended by PL 1989, c.  
4 501, Pt. V, §5, is further amended to read:

6       **9-B. Production.** "Production" means an operation or  
7 integrated series of operations engaged in as a business or  
8 segment of a business which that transforms or converts personal  
9 property by physical, chemical or other means into a different  
10 form, composition or character from that in which it originally  
11 existed.

12  
13 Production includes manufacturing, processing, assembling and  
14 fabricating operations which that meet the definitional  
15 requisites, including biological processes that are part of an  
16 integrated process of manufacturing organisms or microorganic  
17 materials through the application of biotechnology.

18  
19 Production does not include biological processes except as  
20 otherwise provided by this subsection, wood harvesting  
21 operations, the severance of sand, gravel, oil, gas or other  
22 natural resources produced or severed from the soil or water, or  
23 activities such as cooking or preparing drinks, meals, food or  
24 food products by a retailer for retail sale. The foregoing are  
25 examples of activities that are not included within the term  
26 "production."

28       **Sec. 2. 36 MRSA §1760, sub-§32,** as amended by PL 1985, c. 276,  
29 §4, is further amended to read:

30  
31       **32. Machinery and equipment for research.** Sales of  
32 machinery and equipment for use by the purchaser directly and  
33 exclusively in research and development in the experimental and  
34 laboratory sense and sales of machinery, equipment, instruments  
35 and supplies for use by the purchaser directly and primarily in  
36 biotechnology applications, including the application of  
37 technologies such as recombinant DNA techniques, biochemistry,  
38 molecular and cellular biology, immunology, genetics and genetic  
39 engineering, biological cell fusion techniques and new  
40 bioprocesses, using living organisms, or parts of organisms, to  
41 produce or modify products, to improve plants or animals, to  
42 develop microorganisms for specific uses, to identify targets for  
43 small-molecule pharmaceutical development, to transform  
44 biological systems and useful processes and products or to  
45 develop microorganisms for specific uses. The ~~research~~ Equipment  
46 and supplies used for biotechnology include but are not limited  
47 to microscopes, diagnostic testing materials, glasswares,  
48 chemical reagents, computer software, technical books and  
49 manuals. "Research and development" includes testing and  
50 evaluation for the purposes of approval and compliance with

regulatory standards for biotechnological products or materials.  
2 "Research and development shall--not--be--deemed--to" does not  
include the ordinary testing or inspecting of materials or  
4 products for quality control, efficiency surveys, management  
studies, consumer surveys, advertising, promotions or research in  
6 connection with literary, historical or similar projects.

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### SUMMARY

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Current law provides for an exemption from sales tax for  
12 purchases of machinery and equipment used for 2 purposes: for the  
production of goods to be subsequently sold or leased to the  
14 ultimate consumer; and for research and development exclusively  
in laboratories and for experimental purposes. It is not clear  
16 that equipment utilized in the contemporary production processes  
and regulatory compliance testing techniques employed in the  
18 State's emerging biotechnology industry qualifies for exemption  
as either "research" in the laboratory sense or "production" as  
20 typically thought of in a manufacturing context. This bill  
amends the 2 exemptions currently in law to include the  
22 development of new bioproducts and the processes employed by the  
biotechnology industry.

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