

AMENDED IN SENATE AUGUST 22, 2014

Senate Joint Resolution

No. 32

Introduced by Senator Correa

(Coauthors: Senators Anderson, Huff, and Walters)

*(Coauthors: Assembly Members Allen, Buchanan, Conway, Harkey,
Mullin, and Quirk-Silva)*

August 7, 2014

Senate Joint Resolution No. 32—Relative to the biotechnology industry.

LEGISLATIVE COUNSEL'S DIGEST

SJR 32, as amended, Correa. Technology: biotechnology industry: corporate taxation.

This measure would declare the support of the Legislature for federal tax policies designed to encourage growth, incentivize corporations to remain in the United States, and reduce competitive disadvantages for companies based in the United States, particularly those in the biomedical and life sciences industry. The measure would further urge the President and Congress to enact specified tax strategies to encourage domestic economic growth.

Fiscal committee: no.

- 1 WHEREAS, California has a rich history of innovation and a
- 2 long list of entrepreneurs and corporations that have changed the
- 3 world in the high technology and biotechnology industries and is
- 4 proud of its reputation as a global leader in the world economy;
- 5 and
- 6 WHEREAS, The biotechnology industry was born in California
- 7 in 1976, with the Bay Area being home to the first biotechnology

1 company, the first biotechnology public offering, and the first
2 biotechnology drug to be approved by the United States Food and
3 Drug Administration; and

4 WHEREAS, The life sciences industry, including research,
5 development, and educational activities as well as the
6 manufacturing of biopharmaceuticals and medical devices, has
7 had a significant impact on California by creating life-saving
8 treatments for patients, beginning in the lab and spanning years of
9 efforts to transform discoveries into vaccines, diagnostics, devices,
10 and therapies to improve patients' lives; and

11 WHEREAS, The life science and biomedical industries are
12 driving the economy forward both at the national level and in
13 California, creating a highly educated and well-paid workforce
14 and generating billions of dollars of tax revenue that support critical
15 public service programs; and

16 WHEREAS, California's life science industry contributes
17 significant economic benefits to ~~California~~, *California* by creating
18 \$258 billion in economic activity and generating over 1 million
19 jobs paying \$76 billion in salaries, wages, and benefits. California
20 companies introduced 8 new therapeutics to patients in 2013,
21 representing roughly a third of the new molecular entities launched
22 last year. The biomedical industry in California alone employs
23 over 267,000 people in 2,490 companies with total revenue of \$96
24 billion; and

25 WHEREAS, The United States biomedical industry, which
26 includes biopharmaceutical, medical devices and related research
27 and development, testing, and labs, employed 1,219,200 people
28 in 2007; and

29 WHEREAS, The existing federal and state tax structure is a
30 disincentive for companies that are domiciled domestically, and
31 makes American businesses more vulnerable to foreign takeovers;
32 and

33 WHEREAS, The basic United States corporate income tax rate
34 is as high as 39 percent for certain corporations, the highest rate
35 in the world, while the average rate among other major
36 industrialized countries is 25 percent; and

37 WHEREAS, Existing tax policies make companies based in the
38 United States and California less competitive in the global market,
39 resulting in 20 major American companies over the last 2 years

1 reincorporating outside of the United States to reduce their tax
2 liabilities; and

3 WHEREAS, Favorable tax policies in foreign countries may
4 encourage American firms to locate research and development
5 facilities, production facilities, distribution networks, and
6 headquarters overseas, taking with them countless jobs and
7 substantial tax revenue and economic activity that they produce;
8 and

9 WHEREAS, In light of these challenges, it is necessary to
10 protect American jobs, grow our domestic economy, and enable
11 our companies to compete globally; now, therefore, be it

12 *Resolved by the Senate and the Assembly of the State of*
13 *California, jointly,* That the Legislature declares its support of
14 efforts to encourage more broad-based federal tax policies that
15 promote job growth, incentivize corporations to remain in the
16 United States, and level the playing field for companies based in
17 the United States by reducing competitive disadvantages for all
18 industries, particularly the biomedical and life sciences industry;
19 and be it further

20 *Resolved,* That the Legislature urges the President and Congress
21 of the United States to implement tax strategies that promote
22 domestic economic growth, such as the reduction of the federal
23 corporate tax rate, renewal and permanent establishment of the
24 federal research and development tax credit, and repatriation of
25 foreign-earned income; and be it further

26 *Resolved,* That the Secretary of the Senate transmit copies of
27 this resolution to the President and Vice President of the United
28 States, to the Speaker of the House of Representatives, to the
29 Majority Leader of the Senate, and to each Senator and
30 Representative from California in the Congress of the United
31 States.

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