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Schwarzenegger extends tax breaks for biotechs

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A bill signed by Gov. Arnold Schwarzenegger will extend the period over which California biotechnology companies can deduct losses from 10 years to 20 years.

Passage of the bill sends "a strong and positive signal" to such companies that California is listening to their needs, said Matt Gardner, head of BayBio and one of the bill's chief proponents. The organization estimates that the time it takes to develop a successful product is an average 15 years, a time during which company's losses mount as they invest heavily in research, development and testing. The 10-year limit was estimated by BayBio to deprive companies of 30 percent of the tax deductions they would have captured if the deadline for deducting losses was longer.

The bill was written by Assembly Speaker pro Tem Sally Lieber, D-Mountain View, who said tax policy needs to recognize the challenges faced by the industry. "Otherwise, it's like betting against the home team."

Staff members in the state's Senate Appropriations Committee estimate the bill, AB 1370, won't have any fiscal impact for the state until fiscal year 2019-20, when the current 10-year carry-forward limit expires. That year, the state will forgo estimated tax revenue of \$400,000. When the state reaches fiscal 2029-30, the Franchise Tax Board estimates that revenue losses would reach \$1.25 million.

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