

Biotechnology Companies Pitch for U.S. Taxpayer Aid

December 10, 2008

By David Olmos and Justin Blum

U.S. biotechnology executives are lobbying Congress to change a tax law and provide millions of dollars in government money to small, cash-starved drugmakers.

The companies want to be able to claim a tax rebate upfront in exchange for giving up a portion of the deductions for net operating losses that they are eligible to take once they begin to make a profit, said [Matt Gardner](#), president and chief executive of [BayBio](#), an industry group in South San Francisco, California, in a telephone interview yesterday.

Although its troubles aren't as high profile as those of carmakers and banks, the biotechnology industry faces one of its worst cash shortages in years. The crisis is being felt most severely by smaller companies, which require big infusions of money for costly drug research though they often have no sales. New drugs require hundreds of millions of dollars and more than a decade to develop.

"Most of these companies have not yet had their first product approved" by regulators, Gardner said. "They don't have any revenue, and they are accumulating these operating losses. This change would allow them to convert some of these losses back into future research spending, which is a very good thing for the economy."

The effort in Congress is being led by the [Biotechnology Industry Organization](#), or BIO, a Washington, D.C.-based trade group. According to the group's figures, 120 of the 370 publicly traded U.S. biotechnology companies have less than six months of cash on hand. The industry also has been hit by hundreds of layoffs and some bankruptcies.

Meeting Lawmakers

Executives from 10 small biotechnology companies are meeting with lawmakers and their staff on Capitol Hill today to press for assistance, said Ellen Dadisman, a spokeswoman for BIO, in a telephone interview. Among them are officials from [Acorda Therapeutics Inc.](#) of Hawthorne, New York, and [CombinatoRx Inc.](#) of Cambridge, Massachusetts, she said. The executives, who want the measure included in economic stimulus legislation, are meeting with both Democrats and Republicans, including leaders of the House [Ways and Means Committee](#) and [Senate Finance Committee](#), Dadisman said. Lobbying has just begun and it's too soon to say which lawmakers support the measure, Dadisman said.

"I have not seen an environment this terrifying in the 22 years I have been raising money to help develop novel drugs," said [Ron Cohen](#), president and chief executive officer of Acorda, in a telephone interview. "Almost nobody can raise money. That's what's scary. Companies are beginning to go out of business right and left."

Without assistance, biotechnology companies will fail and their drugs won't be developed, he said.

A company with \$100 million in net operating losses would be entitled to \$35 million in lower federal taxes when it becomes profitable, according to BIO. Such a company may receive \$20 million upfront to pay for U.S.-based research, under the proposal, according to the group.