

**BIOTECH /** By Ron Leuty

# State's biotechs say new tax plan could win expansions

California's biotech industry is applauding a piece of the state's recent budget package as an inducement to invest in the state. But not everyone is happy.

Under the "single sales factor," corporate tax liability starting in tax year 2011 will be calculated on sales only within the state. The current rules of the game use a method that averages a business' proportion of sales, property and payroll in California, with the sales factor double-weighted.

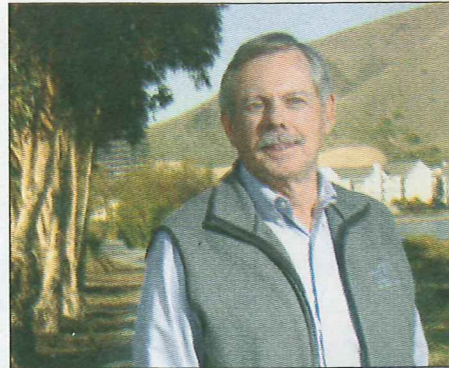
California companies that sell mainly outside the state argue that the current method of taxation rewards them for expanding outside the state because it reduces their California property and payroll factors without necessarily changing their sales factor. Meanwhile, according to a legislative analysis, companies with few employees or facilities in the state (but substantial sales here) will pay more tax.

Although the single sales factor applies to most profitable companies, industry trade organization BayBio says biotech, cleantech and high-tech companies in particular stand to benefit as they grow to profitability.

"We want to stay here because we're already here," said Bill Young, chairman and CEO of Monogram Biosciences Inc. in South San Francisco.

Monogram should be profitable this year, Young said, and will be looking to expand with a lab facility to handle the increasing number of its breast cancer and HIV tests.

"We'll have to make a decision about



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**"We want to stay here,"** says Bill Young, chairman of Monogram Biosciences.

expanding," Young said. "One of the biggest factors will be financial. With the change, it takes that piece out of the equation."

According to the legislative analysis, the state would lose as much as \$1.5 billion a year in tax revenue, but that loss could be offset by additional revenue from employment and property as the state keeps businesses and wins expansions and relocations.

Others aren't so sure that the single sales factor is an incentive for companies to grow in California. Instead, it simply is a way for multi-state companies to avoid taxes, argued the California Tax Reform Association, a small Sacramento organization focused on tax equity.

"Using sales as the only apportionment factor will lead to accounting tricks to avoid tax, in ways that encourage using services outside the state, in order to lower sales within the state," the organi-

zation said on its blog. "The accounting for these factors becomes difficult and rewards manipulation."