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EDITORIAL

Longer life through tax deductions

There isn't much to be proud of in the recently concluded state budget process in which our leaders put off most of their hard spending decisions. This all but guarantees that there will be a sequel next year to this summer's Sacramento horror show.

One thing they got right, though, should help Bay Area life science companies.

The legislature adopted and Gov. Arnold Schwarzenegger signed a proposal by Speaker Pro Tem Sally Lieber of Mountain View to extend the length of time life science businesses can carry forward net operating losses. This action lowers the tax hit these companies incur during the years before they start turning a profit.

BayBio, the trade group that represents more than 400 Northern California life science companies, has been pushing for this change for three years.

Profitability takes far longer and startup costs are much higher for biotech and medical device companies than in other fields. The extensive testing and regulatory clearance involved can kill companies before they can get their products to market.

BayBio estimates that it takes about 14 to 17 years for a biotech company to develop its first product, and several years beyond that before profitability.

The new extension will help make sure that California's tax incentives don't set unrealistic deadlines for this vital sector.