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June 11, 2020

Colorado General Assembly
Senate Finance Committee
200 E Colfax
Denver, CO 80203

Dear Chairwoman Gonzales and Members of the Senate Finance Committee,

On behalf of the Colorado BioScience Association (CBSA), I urge you to oppose House Bill 1420. The bill would permanently roll back tax relief that is critical for so many of Colorado's life sciences companies and their employees, at a time when they need it the most.

CBSA represents over 720 life sciences organizations across Colorado that drive global health innovations, products, and services that improve and save lives. The state is the center for life sciences in the Rocky Mountain Region, directly employing over 32,000 people and spinning out an average of 20 new life sciences companies each year. The industry is largely comprised of small, early-stage companies that play a crucial role in the development of breakthrough technologies and therapies that improve patient outcomes and reduce health care costs.

Many of these small, early-stage companies are experiencing significant challenges as a result of the current health and economic crisis, including the ability to continue operations and retain employees. House Bill 1420 would exacerbate those challenges by eliminating many of the federal tax provisions that were passed to help businesses and their employees navigate through the pandemic. In fact, many of the tax deductions that the bill would eliminate were specifically made for small businesses. If this legislation passes, it would have a devastating impact on our companies and Colorado's innovation ecosystem.

CBSA members rely on tax credits and net operating losses to attract follow-on investments and keep their operations afloat, which is why we are particularly concerned about the provision that would limit the net operating loss deduction a company can claim in one year to the lesser of 80% of taxable income or \$400k. In the life sciences, companies typically experience years of losses while they research and develop a new device or therapeutic, generating significant net operating losses. If they are successful (and many are not), this is often followed by a single year when they sell their intellectual property. By limiting the net operating loss deduction to \$400k, the bill prevents these innovative companies from deducting their R&D costs against any proceeds they receive. This would be hugely punitive for our ecosystem and would discourage life sciences companies from doing research and development in the state of Colorado.

Many life sciences companies consider these tax credits and incentives when they make a decision to invest and build a company in Colorado. It is a big reason why our state attracts so many entrepreneurs, startups, and innovative businesses, which will play a vital role in accelerating our economic recovery. House Bill 1420 will only hurt our state's economy by imposing a massive tax increase on those innovative life sciences companies in the middle of the worst economic crisis in years.

For these reasons, we urge you to vote NO on House Bill 1420.

Sincerely,

A handwritten signature in blue ink that reads 'Jennifer Jones Paton'.

Jennifer Jones Paton
President & CEO
Colorado BioScience Association