



TEXAS HEALTHCARE & BIOSCIENCE INSTITUTE

## **Pharmaceutical Biotechnology Clean Room Sales Tax Exemption**

### **Background:**

Clean rooms are contamination-free environments where manufacturing takes place. They range from very small chambers, called microenvironments, to large-scale rooms, called ballrooms. In order to create contamination-free environments, clean rooms require specialized components such as specific ventilation, cooling, piping, circulation, and lighting systems as well as specialized partitions and equipment.

The expense of building a pharmaceutical biotechnology clean room is great, between \$250 and \$500 per square foot, largely depending on what size and specifications need to be met. Often the companies building clean rooms are in the early stages of growth and have not reached profitable status.

In 2003, the 78<sup>th</sup> Texas Legislature passed a bill extending a sales tax exemption for pharmaceutical biotechnology clean rooms and equipment installed as part of the construction of a new facility. Unfortunately, before the bill was passed, language was added to make the exemption applicable only to construction on facilities started between July 1, 2003 and August 31, 2004, with a value of \$150 million or more.

Current law provides the sales tax exemption to semiconductor fabrication clean rooms and equipment, and THBI is seeking to have the exemption reinstated to extend to pharmaceutical biotechnology clean rooms and equipment.

Biotechnology and the life sciences is a recognized industry cluster within the state of Texas, employing over 78,900 people in over 3,000 establishments. The biotech clean room exemption is a tool regional chambers of commerce and economic development corporations can use when trying to get established biotechnology companies to relocate to Texas, and it is a necessity for young companies working towards commercializing and manufacturing their products and becoming profitable entities capable of employing Texans and creating economic value in their respective communities.

**Please support SB 865 to reinstate the pharmaceutical  
biotechnology clean room exemption.**