



September 15, 2008

The Honorable Bart L. Graham
Commissioner, Georgia Department of Revenue
1800 Century Blvd. NE, Suite 15300
Atlanta, GA 30345

Re: New Rule 560-12-1-.14 "Withdrawals from Inventory."
Proposed further changes to adopted Rule 560-12-1-.14, entitled "Withdrawals from Inventory."

Dear Commissioner Graham:

Georgia Bio (GaBio) and the Biotechnology Industry Organization (BIO) appreciate the opportunity to provide comments on adopted Rule 560-12-1-.14. We have concerns regarding efforts to impose sales and use taxes on drugs administered during the course of clinical trials conducted in Georgia as well as taxes on free samples of medicines given at no cost to patients.

Also, in light of Governor Sonny Perdue's Executive Order suspending sales tax collections on free samples of prescription drugs and investigational drugs used in clinical trials, we question the interpretation of that Executive Order, stated in the "Georgia Sales and Use Tax – Informational Bulletin" issued September 2, 2008. We believe it runs counter to the spirit of Governor Perdue's order.

Georgia Bio is the private, non-profit association representing more than 300 pharmaceutical, biotechnology, medical device and diagnostic companies, healthcare systems, universities, research institutes and other organizations involved in the research and development of life sciences products that improve the health and well-being of people in Georgia and worldwide.

BIO represents more than 1,200 biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in more than 30 other nations. BIO companies' research leads to cures and treatments for disease. Today, there are 168 biotech products on the market and they have helped a quarter billion people worldwide. In addition, there are 371 biotech medicines in late stage clinical trials targeting more than 250 diseases including various cancers, Alzheimer's disease, heart disease, diabetes, multiple sclerosis, AIDS and arthritis.

Imposing a tax on products used in research and in clinical trials puts the State of Georgia at competitive disadvantage, particularly considering recent efforts by Florida and North Carolina to promote bioscience industry development. This tax places an immediate disincentive on conducting research or clinical trials in Georgia and could mean the loss of significant revenues to Georgia academic institutions and hospitals. Discontinuation of clinical trials in Georgia could potentially deny patients in our state access to the most advanced life saving medicines.

Next year, Atlanta will host the 2009 Biotechnology Industry Organization International Convention, the largest biotechnology convention in the world. More than 20,000 people from around the world are expected to attend. GaBio and BIO have been working closely with the Georgia Department of Economic Development to promote the state as a center of excellence for bioscience research and development. In the specific area of cancer, the Georgia Cancer Coalition, supported with taxpayer

funds, is working diligently to develop a statewide clinical trials network to bring more cancer clinical trials to Georgia.

In the last two years, the University of Georgia's College of Pharmacy established a clinical trials design and management certificate program and a pharmaceutical and biomedical regulatory affairs graduate certificate program. These programs were cited as a "best practice" in *Technology, Talent and Capital: State Bioscience Initiatives 2008**, a report conducted by Battelle chronicling state efforts to support bioscience industry development. In addition, Georgia Institute of Technology, Emory University and Georgia State University are working with the life science industry to develop career pathways in the biosciences and offer programs to address specific industry needs, particularly in the area of clinical trials.

Imposing a tax on clinical trials is totally incongruent with all these initiatives.

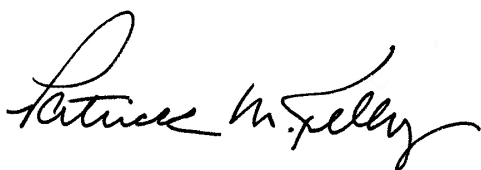
Georgia has a diverse and robust life sciences industry that includes nearly 300 pharmaceutical, biotechnology, medical device and diagnostic companies. These companies employ more than 15,000 people and record annual product sales of more than \$7 billion. The number of employees exceeds 30,000 when adding the public sector professionals at Georgia's world class universities, the U.S. Centers for Disease Control and Prevention and specialty research institutes and non-profit hospitals.

These companies, research institutes and hospitals are global leaders in developing new treatments and diagnostics for chronic diseases such as cardiovascular diseases, cancer and diabetes; infectious diseases such as AIDS and influenza; neurological conditions such as Alzheimer's disease, epilepsy, depression and spinal cord injuries. Currently, there are thousands of clinical trials under way in Georgia.

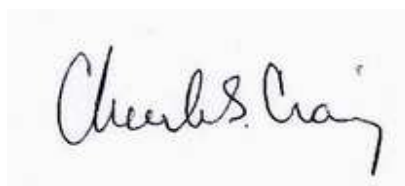
Imposing a sales and use tax on clinical trials sends a negative message worldwide to people suffering from illnesses as well as life sciences companies, research institutions and the professionals who have devoted their lives to finding new therapies and cures for diseases. The inferences may be that Georgia cares more about collecting taxes than it does the health and well-being of its citizens and that Georgia's interest in promoting the life sciences is not as deep as its representations suggest.

Thank you for your consideration on this critically important issue. We would be pleased to meet with you and answer any questions you may have concerning the impact of a potential rule change on the Georgia biotechnology industry.

Sincerely,



Patrick Kelly
Vice President
State Government Relations
Biotechnology Industry Organization
(Member of the Georgia Bio Board of Directors)



Charles Craig
President
Georgia Bio
75 Fifth Street NW, Suite 860
Atlanta, GA 30308
404-920-2043
charles.craig@gabio.org

(*) *Technology, Capital and Talent: State Bioscience Initiatives 2008*, published by Battelle for the Biotechnology Industry Organization. Available online at www.bio.org/local/battelle2008/.