

June 16, 2009

Mr. Gerald Parsky  
 Commission on the 21<sup>st</sup> Century Economy  
 915 L Street, 8<sup>th</sup> Floor  
 Sacramento, CA 95814



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 Chairman  
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Dear Chairman Parsky:

Life Technologies Corporation is submitting this letter in response to the request from the Commission on the 21<sup>st</sup> Century Economy (the "Commission") for feedback from leaders in the California business community. Life Technologies is a global biotechnology tools company dedicated to improving the human condition. Our systems, consumables and services enable researchers to accelerate scientific exploration. We are making important contributions to biomedical research, personalized medicine, public health and safety, alternative energy, and more. Life Technologies was created by the combination of two California-based companies, Invitrogen Corporation and Applied Biosystems Inc., in November 2008. We have approximately 9,500 employees in more than 100 countries around the world. Our worldwide headquarters is in Carlsbad, California and we have approximately 3,000 employees in the State at our sites in Carlsbad, Foster City, Camarillo and Pleasanton. Life Technologies also has locations in seven other states: Maryland, Massachusetts, New York, North Carolina and Texas, Wisconsin, and Oregon.

Life Technologies is a growing company and as of last week, we had approximately 200 open positions in California. Our workforce here in the State spans many functions – from manufacturing and distribution to research & development to corporate functions such as marketing, finance and legal.

On October 30, 2008, Governor Schwarznegger established the Commission with several key guiding principles as its foundation. As outlined by the Governor, the goals of the Commission are as follows:

- a. Establish a 21<sup>st</sup> century tax structure that fits with a 21<sup>st</sup> century economy;
- b. Stabilize state revenues and reduce volatility;
- c. Promote the long-term economic prosperity of the state and its citizens;

- d. Improve California's ability to successfully compete with other states and nations for jobs and investments;
- e. Reflect principles of sound tax policy including simplicity, competitiveness, efficiency; predictability; and ease of compliance and administration; and
- f. Ensure the tax structure is fair and equitable.

The achievement of these goals in the midst of the continuing fiscal crisis in California is vital to the economic future of the State. As Chairman and CEO, working to integrate two companies and rationalize more than 30 global sites, each day I am faced with the question: How does Life Technologies continue to expand in California, given the ongoing and repeated fiscal crises in the State? We constantly analyze the business implications of lawmakers' decisions in order to answer that question. Currently, we are assessing whether or not to upgrade and expand our site in Carlsbad at an estimated capital expenditure of \$40 million dollars. I have responsibilities to our shareholders, the Life Technologies Board of Directors and my employees. It is a struggle to justify continued growth in a state where the newspaper headlines consistently tout impending economic failure.

I believe that the number one priority for the Commission is to address the goals established by the Governor *in the context of retaining and creating private sector jobs in the State of California*. Few if any of our common goals for government can be met if our state is not generating new jobs, new economic activity, and the tax revenue they create. We believe all proposals provided to the Commission should be judged against this priority. They must also be judged relative to the tax structure and benefits available to companies in other states and countries. Companies simply cannot over the long term retain employees in jurisdictions that are appreciably more costly than other jurisdictions with skilled employees. As such, the decisions made by the Commission and lawmakers will have significant short term and long term effects on job growth and retention in the State.

### ***Competition from a variety of states***

We want to recognize the previous hard work of the legislature in maintaining the R&D tax credit and in adopting the single sales factor corporate income tax formula. We also appreciate the very hard choices facing lawmakers today. At the same time, we can't ignore that many large national and global companies – and many talented individuals – have choices about where they have their headquarters, where their employees live and where they themselves will choose to raise their families.

Life Technologies, predominantly thru acquisition, has physical locations in numerous states that foster innovation, promote the possibilities of science discovery and continuously work to grow their respective biotech clusters – New York (\$600 million for stem cell research); Massachusetts (\$1 billion biotech research); Texas (\$3 billion for Cancer Research); and Maryland (\$1 billion bio-science industry).

Several of these states have very aggressive economic development efforts and they consistently call upon Life Technologies to encourage us to relocate to and/or expand in their respective states. We are giving careful consideration to possible expansion at one or more of our other sites.

### ***Foster the Strength of our University System***

While not a tax policy matter per se, I would be remiss if I did not use this opportunity to emphasize the role the university system plays in California's economy.

One of the main drivers of the life sciences industry in California has been its world class university system. Indeed, the university system generates so many benefits to industry – innovation, skilled employees, technology, etc – that it has often counterbalanced the difficulties of doing business in the State. The current fiscal crisis therefore poses two substantial risks to the California life sciences industry. Just as the cost of doing business here may be going up substantially, support for the university system is being reduced significantly. This at a time when there is more international university competition than ever before. I believe that the current state college and university support mechanisms deserves a creative overhaul, one that taps market forces to enable the continued growth and accessibility of the system.

I have tried above to provide some useful thematic input to the Commission. In addition, below please find several specific tax policy suggestions for your consideration that we believe will support a healthy California economy in the 21<sup>st</sup> Century.

### ***Harmonization of the Internal Revenue Code and California Revenue and Taxation Code***

California Revenue and Tax Code ("California Code") already incorporates many federal statutes by reference or language. However there are many instances, particularly over the last several years, where federal and California tax law have diverged. This lack of conformity causes issues for California businesses as they struggle to

comply with complex federal and state tax rules. Further, the Franchise Tax Board (FTB) has a harder time enforcing and administering California only rules. If California conformed to the domestic aspects of the federal tax law, both the taxpayers and the FTB would benefit. Each would have more time and resources to deploy in more meaningful areas.

### ***Abolish Sales Tax on Machinery/Equipment used in Manufacturing in the State***

Consumers are already subject to sales and use tax on products they purchase. Currently many states, including those that compete directly with California for investment funds, exempt manufacturing property from sales tax. California should exempt sales tax on property used to manufacture goods in the state. By removing this second layer of tax, businesses would have more money to invest in jobs, they would not have to pass further tax on to consumers, and it would eliminate a competitive disadvantage now faced by California businesses.

### ***Expand Education and Collection Efforts around California's Use Tax***

The use tax works hand in hand with the sales tax to make sure consumers that purchase goods bear a fair share of the overall tax burden. Generally, the use tax applies to purchases made by an individual or business that are not subject to sales tax. The purchaser is obligated to self assess and pay the tax.

Currently many businesses, especially small and medium size businesses, are not aware of the obligation to calculate and remit this tax. The State Board of Equalization ("SBE") must continue to expand education and collection efforts around this tax. The use tax is an integral part of the overall state sales tax revenue. By increasing enforcement and collection the state is collecting needed revenue and leveling the playing field for all businesses in state.

### ***Establish a Reserve Fund for Future Emergencies***

The state of California should adopt legislation limiting current year expenditures to a maximum of 97% of current year fiscal revenue. Any excess revenue received could be counted against the next year's fiscal budget or put away in a reserve fund that could not be accessed unless or until an emergency was declared. Conversely any shortfall would not impact current year plans for spending. The harmony between revenue and spending would allow the state to avoid or

mitigate many of the on-going financial drama that has played out in the national media over the last few years.

In our review of a variety of proposals put forth to the Commission, we believe the following proposals will not move California forward but will rather serve to continue to raise hurdles for companies in the State and stifle the economy.

***Reject Split-Rolls for Property Tax***

Split-Rolls for property tax will mean taxing commercial property at different rates than residential property. Property tax obligations have been one of the bright spots for California, continually generating stable, consistent and predictable revenue. We discourage the Commission from recommending split-roll property tax legislation. This will create disincentive for investors to build or own developments in California, forcing investment dollars and jobs to go to more favorable jurisdictions.

***Reject the Expansion of the Sales Tax Base to Include Services***

We discourage the Commission from recommending an increase in the sales tax base by including taxation of personal services. Additional sales tax will be passed on to the consumer, increasing their already high overall tax burden, and depressing overall job creation.

Life Technologies appreciates the opportunity to provide recommendations to the Commission. We understand many tough decisions face our great state, and appreciate the many tough decisions that have already been made. California can address and overcome the challenges.

Sincerely,



Gregory Lucier  
Chairman and Chief Executive Officer  
Life Technologies Corporation