Big Pharma a Big Winner in Trump's Proposed Tax Plan

Five Big Pharma Corporations Stand to Reap $42.7 Billion Tax Break for as a Reward for Hoarding Profits Abroad

Nov. 20, 2017 – The tax proposal supported by President Donald Trump and congressional Republicans would give five top pharmaceutical corporations a $42.7 billion tax break.

Table: Five pharmaceutical corporations hoarding more than $290 billion in profits abroad could avoid paying $42.7 billion in taxes under the administration's proposed tax break.

Company	Number of Tax Havens	Amount Held Offshore ($ millions)	Estimated U.S. Tax Bill on Offshore Cash ($millions at 35%)	Estimated U.S. Tax Bill on Offshore Cash ($millions at 14%)	Savings Under Trump/Republican Tax Plan ($millions)
Pfizer	157	$198,944	$40,700	$16,280	$24,420
Gilead Sciences	13	$37,600	$13,100	$5,240	$7,860
Amgen	9	$36,600	$12,800	$5,120	$7,680
Baxter International	7	$9,300	$2,600	$1,040	$1,560
Biogen Idec	14	$7,600	$2,050	$820	$1,230
TOTALS	**200**	**$290,044**	**$65,550**	**$28,500**	**$42,750**

*Adjusted calculations in these columns represent estimates of the companies' actual tax liabilities, which are calculated by subtracting overseas tax liabilities from the U.S. tax owed at 35%. Source: Public Citizen analysis of data from the Institute on Taxation and Economic Policy and Americans for Tax Fairness.

The Big Pharma corporations, whose offshore tax holdings and estimated tax bills were revealed in recent reports by the Institute on Taxation and Economic Policy[1] and Americans for Tax Fairness,[2] collectively hold more than $290 billion offshore, much of which is booked to their 200 tax haven subsidiaries across the globe.

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[1] Richard Phillips, Matt Gardner, Alexandria Robins and Michelle Surka. "Offshore Shell Games 2017: The Use of Offshore Tax Havens by Fortune 500 Companies," a report by the Institute on Taxation and Economic Policy and U.S. PIRG Education Fund (Oct. 2017), https://itep.org/wp-content/uploads/offshoreshellgames2017.pdf

[2] William Rice and Frank Clemente, "Pfizer: Price Gouger, Tax Dodger," an Americans for Tax Fairness report (Feb. 25, 2016), https://americansfortaxfairness.org/new-report-pfizers-merger-with-irish-drug-company-will-let-it-dodge-an-estimated-35-billion-in-u-s-taxes/

This bill would allow corporations a discounted tax rate on profits held offshore at 14 percent if the corporations bring their profits back to the U.S.[3] (though the idea that the profits are actually held outside of the U.S. is a misconception). The Trump-GOP tax plan proposes a 14 percent tax on liquid assets and a 7 percent tax on illiquid assets.[4] The standard U.S. tax rate for corporations has been 35 percent, though corporations' effective tax rates tend to be much lower.[5]

The Senate version of the tax bill would give the corporations that shelter profits abroad an even larger tax break by offering a discounted tax rate on these offshore profits of 10 percent on cash and other liquid assets[6] and a rate of 12.5 percent on intellectual property (a move expected to be particularly beneficial for the technology and pharmaceutical sectors).[7]

Rather than straightforwardly applying the 14 percent to offshore income, technically what the House Republicans' proposal does is exclude 60 percent of the specified income from taxation upon repatriation and applies the full tax rate to the 40 percent left over. Therefore, the methodology for calculating how much companies would owe under the proposal is to multiply how much they've previously disclosed owing by 40 percent (or, more precisely, 14/35). To calculate how much they would save, how much they would be taxed under the proposal is subtracted from how much they currently owe.

Among pharmaceutical corporations, the greatest share of offshore profits and potential tax savings come from Pfizer, which holds an estimated $198.9 billion in profits in 157 offshore tax havens. Among all corporations known to be avoiding paying U.S. taxes by holding profits abroad, Pfizer holds an estimated $246 billion of its profits in offshore tax havens. The value of a tax holiday that lowers the corporations' tax liability on offshore profits is an estimated $24.4 billion for Pfizer.

The value of the tax cut for other Big Pharma corporations is $7.8 billion for Gilead Sciences, $7.6 billion for Amgen, $1.5 billion for Baxter International and $1.2 billion for Biogen Idec. The sum total of these five corporations' tax cut on offshore profits under the Trump proposal is $42.7 billion.

[3] Kaustuv Basu, "Tax Bill Sets 12% Rate for Companies' Offshore Cash, Lawmaker Says," Bloomberg News (Nov. 1, 2017), https://www.bloomberg.com/news/articles/2017-11-01/tax-bill-is-said-to-set-12-rate-for-companies-offshore-cash

[4] Lindsey McPherson, "Changes to GOP Tax Bill Restore Adoption Credit, Address Small-Business Concerns," Roll Call (Nov. 9, 2017), https://www.rollcall.com/news/policy/ways-and-means-changes-adoption-credit-small-business

[5] Institute on Taxation and Economic Policy fact sheet, "The 35 Percent Corporate Tax Myth," (March 2017), https://itep.org/wp-content/uploads/corpstudyfact2017.pdf

[6] "Senate Sets Offshore Tax Rate as High as 10%: Tax Debate Update," Bloomberg News (Nov. 9, 2017), https://www.bloomberg.com/news/articles/2017-11-09/house-panel-set-to-vote-as-senate-enters-fray-tax-debate-update

[7] Richard Rubin, "Senate GOP Proposes New Corporate Tax on Foreign Profits," *The Wall Street Journal* (Nov. 9, 2017), https://www.wsj.com/articles/senate-gop-proposes-new-corporate-tax-on-foreign-profits-1510250420

President Trump repeatedly has criticized the pharmaceutical industry for "getting away with murder" by price-gouging patients while reaping astronomical profits.[8] The president's words echo public outrage about drug prices and Big Pharma profits, which polls[9] repeatedly[10] demonstrate.[11]

However, despite Trump's tough-on-pharma rhetoric, the president's actions show a consistent pattern of favoring the industry. Scott Gottlieb, Trump's choice to lead the U.S. Food and Drug Administration, is a former venture capitalist and major pharmaceutical industry investor who has received a total of $414,000 from multiple drug and medical device companies – including Pfizer, AstraZeneca, GlaxoSmithKline, Bristol-Myers Squibb and Valeant Pharmaceuticals.[12] Joe Grogan, a former Gilead Sciences lobbyist, is the associate director of health programs in the Trump White House's Office of Management and Budget.[13] Grogan is leading a secretive working group responsible for developing Trump's still-unreleased executive order on drug prices, and is expected to include a series of pharma-friendly policies that will do little to help struggling consumers.[14]

Under Trump, the Centers for Medicare and Medicaid Services has delayed implementing a rule that would punish drug companies for overcharging hospitals that serve low-income communities.[15] Big Pharma would have seen an additional $28 billion tax cut over the next ten years if Trump and the Republican-controlled Congress had succeeded in repealing the

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[8] Emma Court, "President Trump reiterates that drug companies 'getting away with murder' but says not much else," MarketWatch (Oct. 16, 2017), https://www.marketwatch.com/story/president-trump-reiterates-that-drug-companies-getting-away-with-murder-but-says-not-much-else-2017-10-16

[9] Ashley Kirzinger, Bianca DiJulio, et al. "Kaiser Health Tracking Poll - Late April 2017: The Future of the ACA and Health Care & the Budget," Poll results from The Henry J. Kaiser Family Foundation (April 26, 2017), https://www.kff.org/report-section/kaiser-health-tracking-poll-late-april-2017-the-future-of-the-aca-and-health-care-the-budget-rx-drugs/

[10] David Nather, "STAT-Harvard Poll: Dismayed by Drug Prices, Public Supports Democrats' Ideas," Harvard University press release (Nov. 2015), https://www.harvard.edu/media-relations/stat-harvard-poll-dismayed-by-drug-prices-public-supports-democrats-ideas

[11] "Americans' Top Priorities for congress Through the End of th eYEar," Poll by Politico and the Harvard T.H. Chan School of Public Health (Sept. 2017), https://cdn1.sph.harvard.edu/wp-content/uploads/sites/94/2017/09/POLITICO-Harvard-Poll-September-2017-Top-Priorities-for-Congress.pdf

[12] Public Citizen press release: "Venture Capitalist Gottlieb Has Too Many Conflicts to Run FDA; We Need a Nominee Who Will Protect Public Health Instead of Industry," (April 4, 2017), https://www.citizen.org/media/press-releases/venture-capitalist-gottlieb-has-too-many-conflicts-run-fda-we-need-nominee-who

[13] Emily Kopp, "Exclusive: White House Task Force Echoes Pharma Proposals," Kaiser Health News (June 16, 2017), https://khn.org/news/exclusive-white-house-task-force-echoes-pharma-proposals/

[14] Sheila Kaplan and Katie Thomas, "Draft Order on Drug Prices Proposes Easing Regulations," *The New York Times* (June 20, 2017), https://www.nytimes.com/2017/06/20/health/draft-order-on-drug-prices-proposes-easing-regulations.html

[15] Will Drabold, "Trump delays rule to punish drugmakers for price gouging — breaking key campaign pledge," Mic (Sept. 29, 2017), https://mic.com/articles/184858/trump-delays-rule-to-punish-drugmakers-for-price-gouging-brekaing-key-campaign-pledge

Affordable Care Act.[16] Trump's Commerce Secretary Wilbur Ross has said the problem with prescription drug prices is not that they are too expensive in the U.S. – it's that they're too cheap abroad.[17] Finally, Trump has replaced disgraced Health and Human Services Secretary Tom Price[18] with Alex Azar, a former Eli Lilly executive.[19]

A $42.7 billion tax break would be one more tremendous gift from Trump to Big Pharma – and an affront to taxpayers who pay their fair share. It will do nothing to reduce drug prices or increase research and development. It is, simply, a windfall to a super-profitable industry, and a reward to those who have most aggressively pursued tax-avoidance measures.

[16] Will Rice, "Big Pharma Gets $28 Billion Tax Break in GOP Trumpcare Plan," Common Dreams (June 22, 2017), https://www.commondreams.org/views/2017/06/22/big-pharma-gets-28-billion-tax-break-gop-trumpcare-plan
[17] Linette Lopez, "It sounds like Trump's people have fallen for big pharma's nonsense, hook, line and sinker," Business Insider (Sept. 22, 2017), http://www.businessinsider.com/wilbur-ross-on-pharma-2017-9
[18] Peter Baker, Glenn Thrush and Maggie Haberman, "Health Secretary Tom Price Resigns After Drawing Ire for Chartered Flights," *The New York Times* (Sept. 29, 2017), https://www.nytimes.com/2017/09/29/us/politics/tom-price-trump-hhs.html
[19] Jake Johnson, "Warnings of 'Big Pharma Coup' as Trump Considers Drug Exec. for Health Secretary," Common Dreams (Oct. 18, 2017), https://www.commondreams.org/news/2017/10/18/warnings-big-pharma-coup-trump-considers-drug-exec-health-secretary