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May 11, 2023

Wyden Hearing Statement on Big Pharma's Tax Avoidance Schemes *As Prepared for Delivery*

The Finance Committee meets this morning to discuss the highly intricate tax schemes of some of the largest U.S. pharmaceutical companies, and the immense handouts those companies got from the 2017 Republican tax law.

In short, it goes like this. When most Americans travel to some faraway land, they get a sun tan. When Big Pharma's profits travel overseas, they get a tax break. That tax break got a whole lot bigger as a result of the Republican reforms.

Two years ago the Finance Committee Democratic staff began investigating these issues. We asked five Big Pharma companies for answers to questions that really aren't all that complicated. Where do you make your sales? Where do you report your profits? Where do you stick intellectual property?

The reality is, these are not nuclear secrets. But Big Pharma worked hard to keep the details of their tax schemes hidden in the shadows. Nonetheless, the committee is updating the public on its ongoing investigation today.

Here is what Big Pharma does not want you to know.

Our investigation obtained data from the Joint Committee on Taxation, the nonpartisan experts, on the effective tax rates the largest pharmaceutical companies paid before and after the Republican tax law went into effect.

The numbers are astonishing. Republicans delivered Big Pharma a tax cut of more than 40 percent.

From 2014 to 2016, the industry paid 19.6 percent on average. In 2019 and 2020, it paid 11.6 percent.

Pharma got a substantially lower tax rate than most other industries specifically because the 2017 Republican law essentially gave a green light for the kind of tax gaming that the biggest drug companies engage in so relentlessly.

They stash intellectual property in other countries. They stick manufacturing offshore. They use accounting tricks to shift money to foreign subsidiaries.

Republicans could have put a stop to these tax games. They did not.

Here's what makes this especially appalling: The U.S. is by far the biggest market for these drug companies. For some companies, this is where they do the vast majority of their sales. For Amgen, it's 74 percent. For AbbVie, it's 72. These are American companies selling to American patients, but their profits show up somewhere else. Amgen reported 60 percent of its profits offshore in 2019. AbbVie reported 100 percent of its profits offshore -- 100 percent!

In many cases these companies charge American patients and taxpayers staggering amounts for prescription drugs -- sometimes double, triple, quadruple what they charge in other countries -- and then report the profits on those U.S. sales elsewhere.

For example, the list price for Keytruda, a cancer drug produced by Merck, is \$175,000 per year. Merck sold more than \$37 billion of the drug in the U.S. between 2019 and 2022. According to our investigation, Merck reported virtually all of the profits on those sales overseas.

The level of profit-shifting industry-wide is enough to leave you slack jawed. According to JCT, Big Pharma reports 75 percent of its income offshore.

The update to our ongoing investigation, which the Finance Committee made available this morning, goes deeper into specific cases of Big Pharma's tax games.

It's available to read on our website right now, and without objection I'll enter a copy of our report and the accompanying JCT analysis into the hearing record.

There is big interest among Democrats in fixing this broken system, cracking down on the tax gaming and ensuring that corporations pay a fair share. In 2021, Senator Brown, Senator Warner and I introduced a proposal that addresses all the issues the committee will discuss today. Senator Whitehouse is also a leader on this topic. Obviously Treasury Secretary Yellen has led a major effort to crack down on tax schemes all over the world. So there's a lot for us to discuss.

I look forward to hearing from our witnesses.

A web version of this release is [here](#).

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