United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510–6200

May 20, 2024

Dr. Albert Bourla
Chairman and Chief Executive Officer
Pfizer Inc.
66 Hudson Boulevard East
New York, NY 10001-2192

Dear Dr. Bourla:

I write seeking information related to Pfizer Inc.'s ("Pfizer") international tax practices. As Chairman of the Senate Finance Committee ("the Committee"), I am conducting an investigation into how the 2017 Republican tax law helped slash tax rates for large pharmaceutical corporations headquartered in the United States. In particular, the Committee's investigation seeks to uncover the full extent by which drug companies are able to exploit subsidiaries in low- or zero-tax jurisdictions to avoid paying income taxes on U.S. prescription drug sales.

As part of this investigation, I seek to better understand how Pfizer has consistently paid tax rates that are substantially lower than the U.S. corporate tax rate of 21%. Since the passage of the 2017 Republican tax law, Pfizer paid effective tax rates of 5.4% in 2019, 5.3% in 2020, 7.6% in 2021, and 9.6% in 2022.[1] In 2023, Pfizer even reported a negative tax rate and received a refund that exceeded the taxes it paid that year.[2] Despite generating over $364 billion in sales over the last six years, Pfizer incomprehensibly pays a lower tax rate than millions of working American families.[3]

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[1] Pfizer, Inc., *2022 form 10-K*, available online at https://www.sec.gov/Archives/edgar/data/78003/000007800323000024/pfe-20221231.htm (at pg. 35 discussion on effective tax rates); Pfizer, Inc., *2020 form 10-K*, available online at https://www.sec.gov/Archives/edgar/data/78003/000007800321000038/pfe-20201231.htm (at pg. 38 discussion on effective tax rates).

[2] Pfizer, Inc., *2023 form 10-K*, available online at https://www.sec.gov/Archives/edgar/data/78003/000007800324000039/pfe-20231231.htm (at pg. 40: "effective tax rate of negative 105.4%" , at pg. 74: "The tax benefit of $1.1 billion for 2023 compared to the tax provision of $3.3 billion for 2022 was primarily a result of changes in the jurisdictional mix of earnings and the resolution of uncertain tax positions in various markets.")

[3] Pfizer, Inc. worldwide revenues for 2018 – 2023, based on 10-K forms filed with U.S. Securities and Exchange Commission (2018: $40.8 billion, 2019: $41.1 billion, 2020: $41.9 billion, 2021: $81.3 billion, 2022: $100.3 billion, 2023: $58.4 billion); IRS 2023 marginal tax rates for individuals, 22% for incomes between $44,726 to $95,375 ($89,451 to $190,750 for married couples filing jointly) available online at https://www.irs.gov/filing/federal-income-tax-rates-and-brackets

While the exact methods by which Pfizer is able to pay such low tax rates are unclear, public records indicate that Pfizer books most of its earnings offshore and benefits from changes made by the Republican tax law that lowered tax rates on foreign profits of U.S. corporations. Pfizer recently disclosed that reductions in its effective tax rate were the result of the "jurisdictional location of earnings" and "largely due to lower tax rates in certain jurisdictions."[4] Pfizer also added that its tax rates are also "influenced by the specific location of non-U.S. earnings and the level of such earnings as compared to our total earnings."[5] As you are aware, profits reported by foreign subsidiaries of a U.S. multinational corporations are not taxed at the corporate income tax rate of 21%, but instead taxed at the much lower Global Intangible Low-Tax Income (GILTI) rate of 10.5% created by the 2017 Republican tax law.

Additionally, Pfizer recently disclosed that it benefits from significant tax incentives in jurisdictions that are treated as foreign for tax purposes, including Puerto Rico and Singapore.[6] Among these incentives is a grant in Puerto Rico expiring in 2053 that partially exempts Pfizer from income, property and municipal taxes. In Singapore, Pfizer benefits from "incentive tax rates" on income effective through 2048.[7] Public reports further indicate that Pfizer also benefits from tax incentives in Ireland that encourage multinational U.S. corporations to shift intellectual property rights and related earnings to the country.[8]

As a result of these arrangements, there is a substantial discrepancy between where Pfizer generates prescription drug sales and where Pfizer books earnings from those drug sales for tax purposes. The United States is by far Pfizer's single largest customer market and source of revenue, accounting for approximately half of the company's sales on an annual basis.[9] From 2018 – 2023, Pfizer sold over $160 billion worth of pharmaceutical products in the U.S.[10] However, Pfizer frequently books *all* of its taxable income outside of the U.S. and even claims losses in the U.S. for tax purposes. For example, last year Pfizer claimed a $4.4 billion loss in the United States on $27 billion in U.S. sales while reporting $5.4

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[4] Pfizer, Inc., *2022 form 10-K*, at pg. 35 available online at https://www.sec.gov/Archives/edgar/data/78003/000007800323000024/pfe-20221231.htm (at pg. 69: "In all years, the reduction in our effective tax rate is a result of the jurisdictional location of earnings and is largely due to lower tax rates in certain jurisdictions, as well as manufacturing and other incentives for our subsidiaries in Singapore and, to a lesser extent, in Puerto Rico. We benefit from Puerto Rican tax incentives pursuant to a grant that expires during 2053. Under such grant, we are partially exempt from income, property and municipal taxes. In Singapore, we benefit from incentive tax rates effective through 2048 on income from manufacturing and other operations.")

[5] Pfizer, Inc., *2019 Financial Report*, available online at https://www.sec.gov/Archives/edgar/data/78003/000007800320000014/pfe-exhibit13x12312019.htm (at pg. 91, footnote (b): "the jurisdictional location of earnings is a significant component of our effective tax rate each year, and the rate impact of this component is influenced by the specific location of non-U.S. earnings and the level of such earnings as compared to our total earnings.")

[6] Pfizer, Inc., *2022 form 10-K*, available online at https://www.sec.gov/Archives/edgar/data/78003/000007800323000024/pfe-20221231.htm (At. pg. 69: "We benefit from Puerto Rican tax incentives pursuant to a grant that expires during 2053. Under such grant, we are partially exempt from income, property and municipal taxes. In Singapore, we benefit from incentive tax rates effective through 2048 on income from manufacturing and other operations.")

[7] *Id.*

[8] *This Country Won the Global Tax Game, and Is Swimming in Money,* The Wall Street Journal, Oct. 10, 2023 available online at https://www.wsj.com/economy/global/this-country-won-the-global-tax-game-and-is-swimming-in-money-57c3c70

[9] Pfizer, Inc. U.S. market share of global revenue for years 2018 – 2023 according to 10-K forms filied with U.S. Securities and Exchange Commission (2018: 49%, 2019: 50%, 2020: 52%, 2021: 37%, 2022: 42%, 2023: 46%).

[10] Pfizer, Inc. U.S. revenue for years 2018 – 2023 according to 10-K forms filed with U.S. Securities and Exchange Commission filings (2018: $20.1 billion, 2019: $20.6 billion, 2020: $21.7 billion, 2021: $29.7 billion, 2022: $42.4 billion, 2023: $27 billion).

billion in earnings on $31 billion in foreign sales. [11]Similarly, in 2020 Pfizer claimed a $2.9 billion loss in the United States on $21.7 billion in U.S. sales while reporting a $9.9 billion profit on approximately the same amount of foreign sales.[12] These kinds of cross-border tax planning schemes are only possible due to a broken tax code that favors giant multinational corporations over working Americans who pay their fair share.

Even when Pfizer does book profits in the U.S., those profits are a fraction of those it books offshore. For example, in 2022, a year where Pfizer reported an astounding $100 billion in revenue, Pfizer reported just $5 billion in U.S. profits compared to $29 billion in foreign profits. Although the U.S. market accounted for 42% of Pfizer's global revenue that year, Pfizer booked only 16% of its profits in the U.S. That Pfizer has successfully located more than 80% of its profits in foreign jurisdictions, it stands to reason that income derived from U.S. customers is being taxed under the low 10.5 percent GILTI rate on foreign income. If this is true, then the international tax system created by the 2017 Republican tax law appears to encourage and reward Pfizer's shifting of profits offshore.

I have long been concerned that major drug companies like Pfizer have exploited profit shifting techniques to avoid paying billions of dollars in taxes on U.S. prescription drug sales. Through offshoring intellectual property, aggressive transfer pricing, foreign manufacturing and other strategies, big pharma is able to put most of its income – and sometimes every single dollar of profit – into offshore subsidiaries. Under the GILTI regime created by the Republican tax law, these offshore profits can take advantage of "global blending" of foreign income to minimize any additional tax. Global blending allows multinationals to reduce or eliminate U.S. taxation of a significant share of their earnings by stashing income in low-tax havens, and then blending it with income from non-tax haven foreign jurisdictions.

Unfortunately, use of these techniques is widespread in the pharmaceutical industry. Several Committee reports have exposed how the flaws in the international provisions of the 2017 Republican tax law created incentives to shift jobs and profits offshore.[13] In one case, a major U.S. drug company generated 75% of its sales to U.S. consumers, yet booked 99% of its taxable income in offshore entities located in Bermuda and elsewhere.[14] An analysis by the Joint Committee on Taxation (JCT) revealed how the average effective tax rate of U.S. pharmaceutical corporations plummeted from 19.6% in 2014 – 2016 to just 11.6% in 2019 – 2020. [15]

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[11] Pfizer, Inc., *2023 form 10-K*, available online at https://www.sec.gov/Archives/edgar/data/78003/000007800324000039/pfe-20231231.htm (at pg. 74 components on income from continuing operations before provision/(benefit) for taxes on income. United States vs. International).

[12] Pfizer, Inc., *2020 form 10-K*, available online at https://www.sec.gov/Archives/edgar/data/78003/000007800321000038/pfe-20201231.htm (at pg. 72 components of oncome from continuing operations before provision/(benefit) for taxes on income. United States vs. International)

[13]*Wyden Releases Interim Report in Big Pharma Tax Investigation,* U.S. Senate Committee on Finance, Jul. 7, 2022 available online at https://www.finance.senate.gov/chairmans-news/wyden-releases-interim-report-in-big-pharma-tax-investigation; *Wyden Releases New Findings in Ongoing Pharma Tax Investigation,* U.S. Senate Committee on Finance, May 11, 2023 available online at https://www.finance.senate.gov/chairmans-news/wyden-releases-new-findings-in-ongoing-pharma-tax-investigation

[14] *Wyden Releases Interim Report in Big Pharma Tax Investigation,* U.S. Senate Committee on Finance, Jul. 7, 2022 available online at https://www.finance.senate.gov/chairmans-news/wyden-releases-interim-report-in-big-pharma-tax-investigation (at pg. 4: "In 2020, 99% of AbbVie's taxable income was reported by offshore subsidiaries. According to data provided by AbbVie, controlled foreign corporations reported 99% of AbbVie's taxable income in 2020. This means that despite being headquartered in the U.S. and generating 75% of its sales in the U.S., only 1% of AbbVie's taxable income in 2020 was subject to the U.S. corporate income tax rate of 21%.")

[15] *Wyden Releases New Findings in Ongoing Pharma Tax Investigation,* U.S. Senate Committee on Finance, May 11, 2023 available online at https://www.finance.senate.gov/chairmans-news/wyden-releases-new-findings-in-ongoing-pharma-tax-investigation (The Joint Committee on Taxation [JCT] provided the

The sector-wide data reviewed by JCT tracks the massive tax cut that Pfizer itself received from the 2017 republican tax law. In 2014 and 2015 Pfizer paid effective tax rates of 25% and 22% respectively, but paid a paltry rate of just 5.4% in 2019 and 2020. Based on this analysis, the 2017 Republican tax law was likely a major contributor to Pfizer's effective tax rate being slashed by over 75%.

The American public deserves to understand how Pfizer, a multinational pharmaceutical corporation based in the U.S. with annual sales of at least $58 billion, paid a lower tax rate than a preschool teacher or a firefighter. This includes providing the Committee a full understanding of the extent to which Pfizer has exploited the 2017 Republican tax law to reduce taxes on U.S. drug sales through the use of subsidiaries in foreign tax jurisdictions. Accordingly, please provide the following information on June 17, 2024:

1. For each of tax years 2018 – 2023, please provide a detailed country-by-country breakdown of Pfizer's pre-tax earnings, profit margins, employee headcount and tax paid.

    a. Please also provide copies of Pfizer's IRS form 8975 for tax years 2018 – 2023.

2. What was Pfizer's taxable income each year for the years 2018 – 2023? What was Pfizer's taxable income in each year excluding income from controlled foreign corporations?

    a. In addition, for each year for the years 2018 – 2023, please provide the amount of any section 250 deduction (including what amount attributable to GILTI and what amount is attributable to foreign-derived intangible income), the amount of any section 78 gross up, the amount of any deemed tangible income return, and the amount of any subpart F income.

3. In 2020, why did Pfizer report a $2.8 loss in the U.S. despite recording $21.7 billion in U.S. revenue? Please explain why Pfizer reported a loss in the U.S. that year compared to $9.9 billion in taxable income outside the U.S. on comparable foreign revenue.

4. In 2022, why did Pfizer report only 16% of its taxable income in the U.S., even though U.S. revenue accounted for 42% of the company's global sales? Please also explain why non-U.S. taxable income was nearly six times greater than U.S. taxable income ($29.6 billion non-U.S. pre-tax earnings compared to $5 billion U.S. pre-tax earnings).

5. Please provide a detailed list of entities that own patents, trademarks, or any other property rights to sell the following products in the United States: Comirnaty (direct sales and alliance revenues), Paxlovid, Eliquis (alliance revenues and direct sales), Prevnar family, Vyndaqel family, Xelijanz, Sulperazon, Inflectra/Remsmima, Ig portfolio, BeneFIX, Zavicetta, Ibrance, Xtandi alliance revenues, Inlyta, Bosulif, Zirabev, Xalkori, Rucience, Retacrit. For each entity, please identify the legal domicile, the jurisdiction for tax purposes and the number of employees.

Committee data analyzing the average effective tax rates of large multinational pharmaceutical corporations for years prior to the 2017 tax law and years after the 2017 tax law. The 2017 Republican tax law cut Big Pharma's taxes by more than 40 percent. From 2014 to 2016, the industry paid an effective tax rate of 19.6 percent on average. In 2019 and 2020, it paid just 11.6 percent.)

6. For all Comirnaty vaccine sales made in the United States in years 2019 – 2023, please provide the total amount of sales of Comirnaty, the net income or loss in the United States from such sales, and the amount of taxes paid to the United States attributable to such net income or loss.

7. For revenue and income or loss attributable to Comirnaty vaccine-related intellectual property rights from 2019-2023, please provide the following:

    a. A detailed list of which countries recognized revenue from the sale, license, or similar transactions related to these rights, including the amount of gross revenue and net income or loss attributable to Comirnaty in each country;
    b. A list of the amount of taxes paid in each country that is attributable to the income attributable to Comirnaty; if taxes paid cannot be traced to Comirnaty, then please provide the total net income and total taxes paid by Pfizer in such country;

8. For each of tax years 2018 – 2023, how much of Pfizer's taxable income was reported in each of the following jurisdictions: Puerto Rico, Singapore and Ireland? Please also provide how much tax was paid in each of those jurisdictions in each year.

9. Pfizer's 2022 10-K indicates that it benefits from "Puerto Rican tax incentives pursuant to a grant that expires during 2053". Please provide the Committee a copy of that grant agreement, as well as any other active tax incentive agreements signed between Pfizer and the Government of Puerto Rico, including the Puerto Rico Department of Economic Development and Commerce (DDEC) and Puerto Rico Departamento de Hacienda.

10. Pfizer's 2022 10-K makes reference to "incentive tax rates effective through 2048 on income from manufacturing and other operations" in Singapore. Please provide the Committee a copy of any active tax incentive agreements on income from manufacturing and other operations signed between Pfizer and the Government of Singapore.

11. Has Pfizer signed any tax incentive agreements with the Government of Ireland related to its operations in Ireland or any income Pfizer locates in Ireland for tax purposes? If so, please provide the Committee a copy of those agreements.

Thank you for your attention to this important matter. Should you have any questions or wish to discuss this request, please contact Patricio Gonzalez from my staff.

Sincerely,

Ron Wyden

Ron Wyden
United States Senator
Chairman, Committee on
Finance