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United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510–6200

July 27, 2022

Mr. Robert Ford
Chairman and Chief Executive Officer
Abbott Laboratories
100 Abbott Park Road
Abbott Park, Illinois 60064

Dear Mr. Ford,

I write regarding Abbott Laboratories' (Abbott) refusal to provide the Senate Finance Committee ("the Committee") information it has requested related to Abbott's tax practices. As you are aware, the Committee is 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 to which drug companies are able to exploit foreign subsidiaries to avoid paying taxes on U.S. prescription drug sales.

As part of this investigation, I have requested detailed information from Abbott to understand the methods by which Abbott has 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, Abbott has paid an effective tax rate of 9.6% in 2019, 10% in 2020 and 13.9 in 2021.[1] Specifically, I requested country-specific information related to Abbott's pre-tax earnings, profit margins, employee headcount and tax paid for tax years 2018 - 2021. This included copies of Abbott's IRS form 8975, an annual country-by-country tax reporting required for large corporations with over $850 million in annual income. I also requested information related to Abbott's taxable income for years 2018 – 2021, including how much of Abbott's taxable income was reported by controlled foreign corporations (CFCs).[2]

Unfortunately, Abbott has declined to provide the Committee this information, choosing to keep secret how much of its profits are reported by offshore subsidiaries for tax purposes. As

[1] Abbott Laboratories, 2021 form 10-K at 70, https://www.abbottinvestor.com/node/34451/html.
[2] A Controlled Foreign Corporation (CFC) is a foreign corporation that is majority owned by U.S. shareholders that own at least 10 percent of the foreign corporation.

noted in previous communications on this matter, it appears Abbott is the beneficiary of favorable tax treatment in several well-known low tax and tax haven jurisdictions. The company claims that its tax expense was "favorably impacted by lower tax rates and tax exemptions on foreign income primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, Singapore, and Malta."[3] Additionally, Abbott stated that it "benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions."[4]

The United States is by far Abbott's biggest customer market and profit center. In 2021 alone Abbott sold over $16 billion worth of pharmaceutical goods to U.S. customers. That is six times more than its second biggest market, Germany, and seven times more than its third biggest market, China. In fact, in 2021 Abbott sold more pharmaceutical products in the United States than Germany, China, Japan, India, Canada and Switzerland *combined*. Yet despite all of this, it is unclear how much of Abbott's income is being reported offshore for tax purposes.

I have long been concerned that the poor design of the 2017 Republican tax law resulted in a massive giveaway to giant corporations that use offshore subsidiaries to avoid paying taxes on U.S. prescription drug sales. A recent report by the Committee exposed how flaws in the international provisions of the Republican tax law created loopholes that allow drug companies to shift profits offshore for tax purposes.[5] 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 offshore using entities located in Bermuda and elsewhere.

The American public deserves to understand why Abbott, a multinational pharmaceutical corporation with annual sales of $43 billion, paid a lower tax rate than a postal service worker or a preschool teacher. This includes providing the American public a full understanding of the extent to which Abbott has exploited the Republican tax law to reduce taxes on U.S. drug sales through the use of offshore subsidiaries. Accordingly, please provide the following information no later than August 9, 2022:

1. For each of tax years 2019 – 2021, please provide a detailed country-by-country breakdown of Abbott's pre-tax earnings, profit margins, employee headcount, and tax paid.

    a. Please also provide copies of Abbott's IRS form 8975 for tax years 2019 – 2021.

2. What was Abbott's taxable income each year for the years 2019 – 2021? What was Abbott's taxable income in each year excluding income of controlled foreign corporations?

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[3] Abbott Laboratories, 2021 form 10-K at 32, https://www.abbottinvestor.com/node/34451/html.

[4] Id..

[5] *Interim Report: Senate Finance Committee Investigation Reveals Extent to Which Pharma Giant AbbVie Exploits Offshore Subsidiaries to Avoid Paying Taxes on U.S. Drug Sales,* U.S. Senate Committee on Finance, July 2022, available online at https://www.finance.senate.gov/imo/media/doc/Pharma%20Tax%20Report.pdf

Thank you for your attention to this important matter.

Sincerely,

Ron Wyden

Ron Wyden
United States Senator
Chairman, Committee on
Finance