

## Offshore mergers let corporations rip off U.S. taxpayers

By **FRANK CLEMENTE**

**Y**OU ALREADY know big pharmaceutical companies are ripping you off by charging too much for some of their medicines. But did you know they're also hurting you by dodging their fair share of taxes? A new report shows how one company pulls off this double whammy – and how there's still time to prevent its biggest tax dodge yet.

Pfizer – maker of Lipitor, Lyrica, Viagra and many other prescription drugs – wants to turn its back on America by claiming to be an Irish company through an offshore merger, giving it access to Ireland's low tax rates. The change would be only on paper. The company would still be run from the United States, enjoying all the benefits of being based in America – such as our taxpayer-supported roads, public colleges and patent protections – without paying its part to support them.

In fact, the report from Americans for Tax Fairness found that Pfizer could walk out on its existing U.S. tax bill of up to \$35 billion if its Irish tax maneuver goes forward. That's what it already owes the American people on about \$150 billion in profits it has stashed offshore, much of it in tax havens.

What could we do with \$35 billion? How about sending 5 million students to community college? Or making sure 7 million homes have enough heat over the winter? Or funding the National Cancer Institute for almost seven years?

When corporations dodge their taxes, the rest of us have to make up for what's missing. We pay for it in higher taxes, underfunded public services or more debt.

In New Jersey, this tax-dodging scheme is especially offensive. Allergan – the now-Ireland-based corporation with which Pfizer is combining – was a Garden State company until its merger with Dublin-based Actavis last March. It's all just one big accounting shell game to avoid paying U.S. taxes. While Allergan/Actavis is now officially Irish, the corporation's administrative world headquarters is still in Parsippany.

### Boosting drug prices

We also pay – big-time – at the prescription counter. The ATF report revealed that Pfizer routinely boosted its drug prices by 10 times the rate of inflation in recent years. Folks in the Medicare drug program saw the price of seven leading drugs for the elderly spike at 23 times the rate of inflation between 2013 and 2015. The price of the cholesterol-lowering

drug Lipitor went up almost 40 percent.

Adding insult to injury, Pfizer charges just a fraction of these prices in the nation it hopes to call its official home: Ireland, a tax haven. Over there, you'd pay the equivalent of about a dime a dose for the estrogen treatment Premarin. Here, it would cost you almost four dollars.

Since Pfizer wants to pay Irish tax rates without actually moving to Ireland, why can't American consumers pay Irish drug prices without crossing the Atlantic? The answer, of course, is that Pfizer gets rich exploiting U.S. patients and taxpayers. The company's profit margin last year was up 50 percent over its margin of five years ago. A sizable portion of its domestic revenues come from sales to the U.S. government: a billion dollars a year in federal contracts.

That's right: Pfizer is not paying us the taxes we're due, but we're paying Pfizer.

We're also subsidizing huge pay packages for the company's CEO and other executives. Thanks to a perverse tax loophole, the more Pfizer pays its top brass, the less it pays in taxes.

Luckily, President Obama can stop Pfizer's biggest cash grab: that estimated \$35 billion in unpaid taxes it wants to pocket by changing its mailing address. There are already Treasury Department rules in place to prevent this kind of overseas tax dodge. As now written, however, they would not apply to Pfizer's cleverly crafted deal.

### Obama must act

The Obama administration needs to correct those regulations so they cover all American companies trying to exploit the loophole Pfizer is using. It already has the authority to do it.

But the president has to act quickly. Pfizer's merger will be completed sometime this spring. And there's a similar deal right behind it. Electronics manufacturer Johnson Controls – saved by the U.S. taxpayer through the auto bailout – has found its own Irish partner and hopes to wipe clean the taxes it owes on billions of dollars in profits offshore.

Congress should outlaw these unpatriotic corporate tax dodges. There are bills in both the House and Senate that would do it, but corporate lobbyists and their friends in Congress have bottled them up.

In the meantime, the president can act alone to save the American people from Pfizer's ultimate rip-off.

Frank Clemente is executive director of Americans for Tax Fairness.

