

Obama can stop Pfizer's tax rip-off

Frank Clemente

You already know big pharmaceutical companies are ripping you off by charging too much for their medicines. But did you know they're also hurting you by dodging their fair share of taxes? A 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 only be on paper. The company would still be run from the U.S., 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.

The report from Americans for Tax Fairness (ATF) found 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 in tax havens.

What could we do with \$35 billion? How about sending five million students to community college? Or making sure seven 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.

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 23 times the rate of inflation between 2013-15. The price of the cholesterol-lowering drug Lipitor went up almost 40%.

Adding insult to injury, Pfizer charges a fraction of these prices in the nation it hopes to call its official home: Ireland. Over there, you'd pay the equivalent of about a dime a dose for the estrogen treatment Premarin. Here, it would cost you almost \$400.

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 was up 50% last year over 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's 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.

President Obama can stop Pfizer's cash grab: that estimated \$35 billion in unpaid taxes it wants to pocket by changing its mailing address. There are Treasury Department rules in place to prevent this kind of overseas tax dodge. As now written, however, they wouldn't apply to Pfizer's clever deal. 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 Obama has to act fast. Pfizer's merger will be completed sometime this spring. And there's another, 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, Obama can act alone to save the American people from Pfizer's ultimate rip-off.

Clemente is executive director of Americans for Tax Fairness.

VIEWPOINT

