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

October 3, 2024

Jennifer Walton
Senior Vice President
Pfizer Inc.
1275 Pennsylvania Ave, NW, Suite 501
Washington, D.C. 20004

Dear Ms. Walton,

Thank you for your June 17, 2024 letter responding to questions regarding Pfizer Inc.'s ("Pfizer") tax practices. While I appreciate the information provided, your response did not provide the specific information I requested, including where Pfizer books profits and how much of Pfizer's taxable income is reported in offshore subsidiaries. The response also failed to provide any information concerning Pfizer's tax incentive agreements in Puerto Rico and Singapore. This information is essential for the Senate Committee on Finance ("the Committee") to understand how Pfizer uses the international tax system to avoid paying billions in corporate income taxes on drug sales to U.S. consumers.

As you aware, the Committee is conducting an investigation into how the 2017 Republican tax law helped slash tax rates for large multinational pharmaceutical corporations headquartered in the United States. This investigation is examining how drug companies are able to substantially lower their tax rates through the use of sophisticated cross-border tax avoidance strategies. 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 lucrative drug sales in the United States.

As part of this investigation, I requested detailed information from Pfizer to understand how it regularly paid single digit tax rates that are substantially lower than the statutory U.S. corporate tax rate of 21%.[1] Specifically, I requested country-specific information related to Pfizer's pre-tax earnings, profit margins, employee headcount and taxes paid for tax years 2018 – 2023. This included copies of Pfizer's IRS form 8975, an annual country by country tax reporting required for large corporations with over $850 million in annual income. I also

[1] 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.

requested information related to Pfizer's taxable income for years 2018 – 2023, including how much of Pfizer's taxable income was reported by Controlled Foreign Corporations (CFCs). [2] Understanding how much of Pfizer's taxable income is reported by CFCs will provide the Committee key insights into how much of Pfizer's profits are booked offshore.

Unfortunately, Pfizer declined to provide the Committee this information, choosing to keep secret how much of its profits are reported by offshore subsidiaries that are treated as foreign for tax purposes, and by extension, the windfall it reaped from the 2017 Republican tax bill. Profits reported by Pfizer's foreign subsidiaries 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 in 2017. As noted in my previous letter, there appears to be 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. However, Pfizer in regulatory filings indicates that it often books *all* of its taxable income outside of the United States. In fact, it has even reported losses in the United States for tax purposes. For example, in 2023 Pfizer claimed a $4.4 billion loss in the U.S. on $27 billion in U.S. sales while reporting $5.4 billion in earnings on $31 billion in foreign sales.[3] Similarly, in 2020 Pfizer claimed a $2.9 billion loss in the U.S. on $21.7 billion in U.S. sales while reporting a $9.9 billion profit on equivalent foreign sales.[4]

Even in years where Pfizer has reported profits in the U.S. for tax purposes, those profits are a fraction of those it books offshore. For example, in 2022 Pfizer reported an astounding $100 billion in revenue, yet Pfizer reported just $5 billion in U.S. profits compared to $29 billion in foreign profits that year. That Pfizer successfully located more than 80 percent 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 created by the 2017 Republican tax law. If this is true, then the international tax system created by the Republican tax law appears to encourage and reward Pfizer's shifting of profits offshore.

Additionally, Pfizer refused to provide the Committee any information related to tax incentives Pfizer receives in jurisdictions that are treated as foreign for tax purposes, including Puerto Rico and Singapore. Under these tax incentive agreements, it appears that Pfizer is exempt from income, property and municipal taxes in Puerto Rico; and income taxes in Singapore.[5] You stated that Pfizer could not provide information on these tax incentive

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[2] A Controlled Foreign Corporation (CFC) is a foreign corporation that is majority owned by U.S. shareholders that each own at least 10% of the foreign corporation.
[3] 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).
[4] 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)
[5] 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

agreements because it is "concerned about maintaining positive relationships with the U.S. states and territories in which it operates, including Puerto Rico."[6] You also stated that Pfizer could not provide this information because the "confidential nature" of Pfizer's tax incentive agreements with Puerto Rico and Singapore must be protected. [7]

While I appreciate Pfizer's desire to maintain good business relationships, this is not grounds to keep the United States Congress in the dark regarding sweetheart tax benefits in foreign tax jurisdictions. As the committee of jurisdiction for all federal taxation, the Committee has a responsibility to understand how large American companies are using subsidiaries in a U.S. territory to avoid paying corporate income taxes on prescription drug sales made in U.S. states. The Committee's responsibility to develop and draft effective tax legislation necessitates fully understanding the tax avoidance practices of large multinational corporations. If these corporations are exploiting foreign tax incentives, and/or those laws are designed to capture corporate tax revenue from large American drug companies that should instead be going to the federal treasury, Pfizer is stymying the role of Congress to prevent such abuses by withholding this essential information.

Pfizer's refusal to cooperate with the Committee's investigation has only heightened my concern that the company may have used profit shifting techniques to avoid paying billions of dollars in taxes on U.S. prescription drug sales. Large pharmaceutical corporations often use the offshoring of intellectual property, transfer pricing, foreign manufacturing, and "global blending" to stuff most of their income, and sometimes every single dollar of profit, into offshore subsidiaries. These techniques are widespread in the pharmaceutical industry and several reports by the Committee have exposed how the flaws in the 2017 Republican tax law have created incentives for big pharma to shift jobs and profits offshore.[8] 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.[9] This has resulted in massive tax cuts for the industry, with a Joint Committee on

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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.")

[6] Letter from Jennifer Walton, Senior Vice President, Pfizer to Ron Wyden, Chairman, Senate Committee on Finance, Jun. 17, 2024 ("Pfizer understands the Committee's request for information on the tax relationship between the Company and the governments of Puerto Rico and Singapore; however, the requests implicate confidential arrangements between Pfizer and each jurisdiction. Just as we are concerned about maintaining positive engagement with the Committee, we are also concerned about maintaining positive relationships with the U.S. states and territories in which we operate, including Puerto Rico.")

[7] *Id*. ("To those ends, it is important that the confidential nature of Pfizer's tax incentive arrangements with the governments of Puerto Rico and Singapore are protected.")

[8] *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

[9] *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%.").

Taxation analysis showing that the average effective tax rate of U.S. pharmaceutical corporations plummeted from 19.6% in 2014 – 2016 to just 11.6% in 2019 – 2020. [10]

Unfortunately, Pfizer is currently an outlier in its refusal to cooperate with the Committee's investigation. Of the six large U.S. pharmaceutical companies contacted by the Committee, Pfizer is the only company that has refused to provide the Committee information concerning how much income is reported by offshore subsidiaries, the structure of its operations in low or zero tax jurisdictions, and where profits and economic rights for blockbuster drugs are located. The Committee's request for this information well within its jurisdiction and is critical to help finalize the Committee's investigation, which is intended to inform the drafting of legislation to reform the international tax system. Should Pfizer continue to refuse to provide the information, the Committee will consider various tools at its disposal as necessary to secure the s requested information.

Finally, your June 17th letter references section 6103 of the Internal Revenue Code, which applies to information in the possession of the IRS or obtained by officers or employees of the United States from the IRS. As you are surely aware, section 6103 does not apply to information in the possession of the taxpayer. I take seriously the need to protect taxpayer privacy and the confidentiality of tax return information, but section 6103 does not prevent Pfizer from providing any information contained in its tax returns to the Committee, including how much of Pfizer's taxable income is reported by controlled foreign corporations.

As I've stated before, it is simply unacceptable that Pfizer, a multinational U.S. corporation with annual sales of at least $58 billion, pays a lower tax rate than a school teacher or firefighter. Pfizer's cooperation with the Committee's investigation is necessary to inform the drafting of legislation that will reform the international tax system and ensure that the largest corporations are paying their fair share. In order to better understand Pfizer's use of subsidiaries in foreign tax jurisdictions to reduce taxes on U.S. drug sales, please provide the following information by October 11, 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?

[10] *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 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.)

    a. In addition, for each year for the years 2018 – 2023, please provide the amount of any section 250 deduction (including what amount was 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. 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.

4. 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.

5. 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;

6. 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.

7. 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.

8. 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.

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