United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510–6200

May 18, 2022

Mr. Robert Ford
Chairman and Chief Executive Officer
Abbott Laboratories
100 Abbott Park Road
Abbott Park, Illinois 60064
Washington, DC 20004

Dear Mr. Ford:

I write seeking information related to Abbott Laboratories' (Abbott) international tax practices, including the methods employed by Abbott to pay a stunningly low effective tax rate that has averaged just under 12% over the last three years.[1] I also seek to understand how much was spent by Abbott to prevent the closure of a critical infant formula processing plant, and whether the billions of dollars in tax cuts Abbott received from the 2017 Republican tax law were spent on share repurchases rather than investing in this plant.

Since the passage of the 2017 Republican tax law, Abbott has saved billions of dollars in taxes and seen its effective tax rate decline to levels well below the statutory rate of 21%. Over the last three years, Abbott paid an effective tax rate of 9.6% in 2019, 10% in 2020 and 13.9% in 2021. Though the methods by which Abbott is able to achieve such low tax rates are unclear, it appears the company is the beneficiary of favorable tax treatment in several well-known tax haven jurisdictions. The company claimed 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."[2] Additionally, Abbott stated that it "benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions."[3]

Abbott has also recorded profits in the midst of a global pandemic. Last year Abbott's net earnings in 2021 soared to $7 billion, a 91% increase from 2019.[4] Since the pandemic began,

---

[1] Abbott Laboratories, *2021 form 10-K* at 70, https://www.sec.gov/Archives/edgar/data/1800/000110465922025141/abt-20211231x10k.htm
[2] Id. at 32
[3] Id. at 32
[4] Id. at 41

Abbott's global sales have climbed from $31.9 billion in 2019 to over $43 billion in 2021.[5] As Abbott generated massive profits, it rewarded investors last December by authorizing $5 billion on stock buybacks to boost the company's share price.[6] This is *in addition* to the $3 billion on stock buybacks Abbott already authorized at the end of 2019. [7]

As Abbott spent billions buying back its own stock, it appears that it failed to make necessary repairs to fix a critical manufacturing plant of infant formula located in Michigan. As a result of the company's mismanagement, the plant's condition deteriorated to the point where it was shut down by the Food & Drug Administration (FDA) in February over safety concerns after several infants who consumed formula made at the plant fell ill from bacterial infections.[8] The FDA subsequently warned consumers not to use formula made at the plant and Abbott issued a nationwide recall. [9] The closure of the plant has contributed substantially to a national shortage of infant formula, putting families across the country at risk.

I have long been concerned that windfalls from sweeping tax cuts for mega-corporations enacted by the 2017 Republican tax law would be used for padding the pockets of corporate executives and wealthy shareholders. It appears my concerns have been validated in this case, as Abbott chose spending billions on buying back its own stock instead of investing in critical upgrades to a plant essential to feeding our nation's infants. As Chairman of the Senate Finance Committee, I am also conducting an investigation into how the 2017 Republican tax law's international provisions created incentives for multinational corporations to shift profits overseas as a way to avoid taxes.

In order to better understand the impact of the 2017 Republican tax law on Abbott's operations, as well as Abbott's failure to make necessary investments in domestic infant formula manufacturing operations, please answer the following questions no later than ___:

1. Please provide a detailed explanation as to how Abbott's effective tax rate declined to 9.6% in 2019, 10% in 2020 and 13.9% in 2021, including the impact of provisions in the 2017 Republican tax law on Abbott's effective tax rate for these years.

2. 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 each of tax years 2019 – 2021.

---

[5] Id. at 74

[6] Id. at 21

[7] Id. at 21

[8] *Baby formula factory still months away from production*, The Washington Post, May 14, 2022; https://www.washingtonpost.com/business/2022/05/14/baby-formula-shortage-sturgis/

[9] U.S. Food & Drug Administration, Feb. 17, 2022; https://www.fda.gov/news-events/press-announcements/fda-warns-consumers-not-use-certain-powdered-infant-formula-produced-abbott-nutritions-facility

3. What was Abbott’s taxable income each year for the years 2019 – 2021? What was Abbott’s taxable income in each year excluding income from controlled foreign corporations?

4. Please describe in detail how in 2021 Abbott 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.” Please also describe in detail how Abbott benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions.

5. Since the passage of 2017 Republican tax law, how much has Abbott spent on repurchasing shares of its own stock (i.e., from 2018 to the date of this letter)? Please also specify how much Abbott has spent repurchasing shares of its own stock in 2021 and 2022. How much did Abbott spend on repurchasing shares of its own stock in the five years preceding the Republican tax law (i.e., from 2013 to 2017).

6. Please describe any capital investments Abbott made in upgrades or repairs to the infant formula manufacturing facility in Sturgis, Michigan prior to its closure earlier this year. This should include the amount spent on upgrading or repairing the facility, an itemized list with the purpose of those of upgrades or repairs, and the date the upgrades or repairs were completed.

7. Since the passage of the Tax Cuts and Jobs Act, how much has Abbott spent on investments in upgrades or repairs to facilities in the United States dedicated to the manufacturing of infant formula? How much has Abbott spent on investments in upgrades or repairs to facilities located outside the United States dedicated to the manufacturing of infant formula?

8. When did Abbott first become aware of the safety issues identified by the FDA that eventually led to the shutdown of the infant formula manufacturing plant in Sturgis, Michigan?

9. How much funding does Abbott intend to commit to investing in the infant formula plant in Sturgis, Michigan so that it can reopen and operate safely for years to come?

Thank you for your attention to this important matter.

Sincerely,

Ron Wyden

Ron Wyden
Chairman
Committee on Finance