MERCK

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CORPORATE TAX DODGER

Merck is the world's third-largest pharmaceutical company by sales. It is also a leader in exploiting offshore tax loopholes to lower its federal tax bill while collecting huge sums in federal contracts.

- **Merck had profits of $13.6 billion and paid $2.5 billion in federal income taxes from 2009 to 2012. Merck's tax rate was 18.4% over the last four years – the official corporate tax rate is 35%. This gave the drug giant a huge tax subsidy worth $2.2 billion.**
- **Merck had $53.4 billion in profits socked away offshore at the end of 2012 on which it paid no U.S. taxes.**
- **While dodging its fair share of federal income taxes, Merck pocketed $8.7 billion in taxpayer-funded contracts from Uncle Sam between 2006 and 2012.**
- **Merck spent $9.5 million lobbying Congress in 2012 and taxes were its second-highest priority.**
- **Merck's CEO is a leader in calling for cuts to government services and raising the Social Security retirement age to 70, while pressing for corporate income tax cuts. His monthly check from his Merck retirement assets will be nearly $82,000; 62 times the average Social Security retiree's monthly check of $1,265.**

MERCK'S RX FOR AVOIDING TAXES: STASH MONEY IN OFFSHORE TAX HAVENS

Merck had $53.4 billion socked away offshore at the end of 2012, according to its Securities and Exchange Commission (SEC) filing, on which it paid no U.S. taxes. This is one of the largest amounts among U.S. corporations, and it increased $9 billion over the previous year. Merck has 144 subsidiaries in tax-haven nations, with the largest numbers in the Netherlands, Ireland, Switzerland, Bermuda, and Hong Kong—nations that impose little to no taxes on income generated from patents and other intellectual property.

Merck's aggressive use of tax havens is one of the reasons it paid just $2.5 billion in taxes on $13.6 billion in profits from 2009 to 2012, according to its SEC filings. That's an effective tax rate of only 18.4%. If Merck had paid the full statutory corporate tax rate of 35% on its reported profits, it would have paid an additional $2.2 billion in federal income taxes over the period.

Merck was a major beneficiary of the 2004 American Job Creation Act, which offered U.S. corporations a deeply discounted tax rate of just 5.25% on profits they brought home (repatriated), with the idea that these windfalls would be used to create U.S. jobs. Merck repatriated nearly $16 billion, according to the Congressional Research Service, to qualify for a tax break of $4.7 billion. But rather than hiring more workers, Merck laid off 7,000 employees over the following two years.

WHILE DODGING FEDERAL TAXES, MERCK SELLS A LOT OF DRUGS TO THE FEDERAL GOVERNMENT

Merck raked in $8.7 billion in federal contracts from 2006 to 2012, according to the federal government, putting the company among the top 70 contractors year after year. Merck sells pharmaceutical products to Medicare, Medicaid, and the Veterans Administration. Like all drug companies, Merck is also a significant beneficiary of new drug development by the taxpayer-funded National Institutes of Health (NIH). An example is Merck's successful Human Papillomavirus (HPV) vaccine to prevent cervical cancer. The vaccine's active ingredient was discovered in NIH labs and licensed to Merck for further development and commercialization.

DESPITE TAX SUBSIDIES, MERCK IS A JOBS DESTROYER

Globally, Merck slashed 17,000 jobs between 2009 and 2012; 9,500 of these jobs were in the U.S. Even while accepting state tax subsidies, Merck has responded by cutting jobs. Pennsylvania provided Merck more than $20 million in research and development tax credits to support scientific jobs in 2010 and 2011, according to Good Jobs First's Subsidy Tracker database. In late 2011, Merck announced it would cut 12-13% of its workforce over the next four years. The company did not release state-by-state details, but industry observers estimated 3,000 t0 4,000 jobs would be lost in Pennsylvania and New Jersey.

MERCK'S CEO JOINS CORPORATE CALL FOR SOCIAL SECURITY CUTS, WHILE ENJOYING HIS OWN GILDED RETIREMENT BENEFITS

Merck CEO Kenneth Frazier is on the Steering Committee of Fix the Debt, a corporate-funded campaign of more than 100 CEOs. It advocates for cuts to Social Security and Medicare, corporate tax cuts and a shift to a "territorial tax system" that would allow corporate offshore profits to be forever U.S. tax-free, thereby encouraging the shipment of profits and jobs overseas. However, Frazier has pointed out that he favors shielding the Medicare Part D drug program from any across-the-board sequester cuts. Medicare Part D after all generates big profits for his firm.

Frazier is also a member of the Business Roundtable, a powerful lobbying group of more than 200 large company CEOs. It supports making targeted cuts to Medicare and raising the Social Security retirement age from 67 to 70 – a benefit cut of about 20%.

Frazier wouldn't be hurt by the cuts to Social Security because his Merck retirement accounts were worth $14.4 million at the end of 2011 (most recent data available), enough to generate a $81,772 monthly retirement check starting at age 65. That's 62 times more than the average Social Security retiree, whose benefits are just $1,265 each month.

TAXES ARE A TOP LOBBYING PRIORITY OF MERCK

Merck spent $9.5 million lobbying Congress in 2012 and nearly $89 million since 1998, according to OpenSecrets.org. In 2012, taxes were Merck's second-highest lobbying priority.

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here. http://www.americansfortaxfairness.org/tradingcards/.