FOR IMMEDIATE RELEASE: April 30, 2018
Contact: Jack Pfeiffer, 202-641-8574
jpfeiffer@americansfortaxfairness.org

QUESTIONS ABOUT HOW MERCK & GILEAD SCIENCES ARE SPENDING THEIR TAX SAVINGS AHEAD OF EARNINGS CALLS TOMORROW

Tax Savings Are Enriching Wealthy Shareholders, Not Raising Wages or Lowering Prices

Washington, D.C. – Tomorrow, Tuesday, May 1, Merck and Gilead Sciences will hold quarterly earnings calls, and this presents an opportunity to ask, "how much of your tax savings are being shared with your workers or reducing the costs of prescription drugs for patients?" Analysis from a new pharma report released by Americans for Tax Fairness, shows that Merck and Gilead Sciences are among the biggest winners from the $1.9 trillion Trump-GOP tax cuts, but they are sharing few of the benefits with their employees and are offering no price relief to their customers. Instead, they are mostly rewarding their CEOs and other wealthy shareholders with fat stock buybacks and dividend hikes.

"For years Merck and Gilead have generated enormous profits from sky-high drug prices and shifting outsize profits offshore to dodge taxes. Now they have gotten a new windfall from the Trump-GOP tax cuts. It's time to give back by sharing their tax cuts with their workers through higher wages and with consumers through lower prices," said Frank Clemente executive director of Americans for Tax Fairness.

QUESTIONS FOR MERCK:
Merck, the producer of Januvia, Gardasil and Singulair could get a tax cut of over $2.7 billion in 2018, but its one-time bonuses to workers are estimated to be just $69 million. In addition, its tax savings on $63 billion in accumulated offshore earnings will amount to over $13 billion.

- Recent analysis from Americans for Tax Fairness shows that Merck's 2018 tax cut is 39 times the amount it may give to its employees in one-time bonuses. Does Merck plan to use more of these savings to increase pay for workers?
    - Merck announced that it would give a "one-time, long-term incentive award" to certain employees, but has not declared the size of the award or said how many employees would get it. Assuming all its 69,000 worldwide employees get a $1,000 bonus (the most common bonus amount companies have announced in the wake of the tax law's passage), the bonuses would cost Merck about $69 million.
- Merck increased its stock buyback program by $10 billion just a few days before the Senate passed its tax bill. It's also reaping a $13 billion windfall from the reduction in taxes owed on

offshore profits in the tax law--rather than paying $18.2 billion it will pay just $5.1 billion. Does Merck plan to share any of of these tax cuts with patients by reducing sky-high drug costs or will it continue to waste more of its tax savings on stock buybacks?

- Last year, Merck's CEO—who will benefit handsomely from the boosted stock price resulting from the buyback program—received $17.6 million in total compensation. This is 215 times Merck's median worker pay of $82,000. Will Merck continue to shower executives with compensation that is 215 times the pay for median workers, or invest more of its hefty tax cuts in its employees?

QUESTIONS FOR GILEAD SCIENCES

The maker of exorbitantly priced Hepatitis C treatments Sovaldi and Harvoni, which together cost Medicare and Medicaid over $11 billion in 2015, will get a $7 billion tax break on the $37.6 billion in profits that it has shifted offshore to avoid taxes—rather than paying $13.1 billion it is likely to pay $6.1 billion.

- It has been 131 days since Congress passed the Tax Cuts and Jobs Act. Why has Gilead not made any public announcements about sharing its tax cut savings with workers?
- Gilead has suggested it will likely use the extra tax savings to funds mergers and acquisitions and pay down debt. Will Gilead use any of the savings to lower the costs of prescription drugs and help patients avoid debt?
- Gilead paid its CEO $15.4 million in total compensation last year—94 times what it paid its median worker. Will Gilead commit to using its tax savings to give its workers a pay boost to shrink that pay difference?

Following are highlighted findings from *BAD MEDICINE: How GOP Tax Cuts Are Enriching Drug Companies, Leaving Workers & Patients Behind*:

THE PHARMA BIG 10 IS SAVING BILLIONS IN TAXES

- **Five of the Pharma Big 10 (the only corporations for which tax cut estimates have been publicly released) could save more than $6.3 billion in taxes in 2018 alone.**

- **The Pharma Big 10 will save $76 billion in taxes on their offshore profits alone.** The 10 firms had $506 billion in untaxed profits offshore in 2017, on which they owed nearly $134 billion under previous law. Under the Trump-GOP tax regime they will owe only about $57 billion—a tax savings of $76 billion—and they can stretch their tax payments over eight years.

THEY ARE SHARING LITTLE TAX SAVINGS WITH WORKERS AND CONSUMERS

- **Only two of the Pharma Big 10, Pfizer and Merck, have announced any quantifiable sharing of tax savings with existing employees through bonuses, wage hikes or fringe benefit improvements.** They are providing one-time bonuses worth a total of $169 million. The industry’s estimated $6.3 billion in 2018 tax cuts is **37 times more** than what drug companies are giving workers. (AbbVie has announced it would “enhance compensation” but offered no details.)

- **None of the other seven corporations—Johnson & Johnson, Eli Lilly, Gilead Sciences, Amgen, Bristol-Myers Squibb, Celgene and Biogen—has announced plans to share their tax-cut wealth with employees.** However, many of these “Corporate Cheapskates” are doing share buybacks that will primarily benefit the wealthy, including their own CEOs.

- **The Pharma Big 10’s CEOs received total compensation in 2017 that ranged from 94 to 452 times what the typical worker received.** For most of the companies, the CEO made over 100 times more than the typical worker; Johnson & Johnson’s CEO made 452 times more.

- **Unlike utility companies, none of the Pharma Big 10 has announced any plans to use their tax savings to reduce prescription drug prices despite huge price hikes in recent years.** An AARP analysis found that the prices of 268 brand name drugs increased at least 15% a year from 2013 to 2015, the most recent data available. A recent ATF report found retail prices for a sample of leading American drugs had soared by 40% to 70%, or up to 14 times the rate of inflation, between 2011-2015. ATF found that over that same period profits for the Pharma Big 10 rose by almost 40%.

MOST OF THE TAX SAVINGS ARE GOING TO CEOS AND WEALTHY SHAREHOLDERS

- **Five Pharma Big 10 firms have announced a total of $45 billion in stock buybacks since late 2017.** That’s **266 times more** than the $169 million in announced worker bonuses. Stock buybacks overwhelmingly benefit wealthy shareholders, including top executives and foreign investors.