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The drug company that shocked the world with its prices dodged $10 billion in taxes, report says

By Renae Merle and
Carolyn Y. Johnson
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Over the last few years, Gilead Sciences has grown into one of the world's largest pharmaceutical companies, fueled by the sales of expensive specialty treatments for hepatitis C. The company's revenue has tripled since 2012, to $32.6 billion last year.

According to a report to be released Wednesday, Gilead has also developed another specialty: Avoiding billions in taxes.

The California-based pharmaceutical giant moved some of its assets to Ireland, apparently allowing income from some U.S. drug sales to be shifted abroad and taxed at a lower rate, according to Americans for Tax Fairness, a liberal advocacy group. It has also avoided nearly $10 billion in taxes by not bringing some of its foreign profits back to the United States, the group says.

Gilead declined to comment on the report.

The study strikes at a simmering battle between the Obama administration and the business community over whether U.S. corporations are inappropriately avoiding billions in taxes by taking advantage of a flawed tax code.

In 2013, Gilead launched the drug Sovaldi – a hepatitis C cure that carried an $84,000 list price for a 12-week course of treatment. That drug was followed by another treatment, Harvoni, which carried a list price of $94,500. Last month, Gilead received approval for a third treatment, Epclusa, which carries a list price of $74,760.

Last year, a Senate Finance Committee investigated the company's pricing of hepatitis C drugs and concluded the company had sought to maximize profits at the expense of making the remedies accessible to patients.

The drugs' prices also had a noticeable effect on overall prescription drug spending. In 2015, health care spending on prescription drugs grew more than 12 percent, according to an analysis published in the peerreviewed medical journal Health Affairs, a rise attributed in part to the new generation of hepatitis C treatments.

The new report by Americans for Tax Fairness shows that as Gilead's revenues and profits have grown, driven largely by its hepatitis C franchise, a perplexing incongruity has developed: In 2015, nearly two-thirds of its revenues were generated by U.S. sales, but the U.S. accounted for only 37 percent of its profits before taxes. That's despite the fact that the U.S. generally pays more for drugs than other countries.

The report suggests that "transfer pricing" helps account for this disparity. In 2013, Gilead's chief financial officer said the company's tax rate would "decline over time" because its intellectual property for Sovaldi had been transferred to a subsidiary in Ireland, which has a lower corporate tax rate, 12.5 percent, than the United States.

This strategy is common, legal and increasingly used by pharmaceutical companies, said Jeremy Scott, editor-in-chief of commentary at Tax Analysts, an organization specializing in tax policy.

"People weren't doing it as aggressively in the '90s as in the past five to 10 years," Scott said. "This is a recent trend."

The new report notes that Gilead's effective tax rate tumbled to 16.4 percent last year compared with 27.3 percent in 2013. (The statutory U.S. federal tax rate in the is 35 percent.)

Meanwhile, Gilead has kept a growing amount of its foreign profits overseas, reaching $28.5 billion in 2015. The company would have to pay about $9.7 billion in taxes if it brought those profits back to the United States, according to the report.

"Gilead excels at tax dodging and price gouging," Rep. Lloyd Doggett (D-Tex.) said in an e-mail. "Instead of innovation, it has spent more on stock buybacks for executives and shareholders than on research and development. Gilead's formula for success: prices up, profits up, tax avoidance up."

Gilead is just one of dozens of large pharmaceutical and technology companies that is using a variety of tactics to potentially lower its taxes. Apple has nearly $200 billion in profits overseas, Microsoft has about $100 billion, while Gilead's competitor, Pfizer, has about $193 billion. If they were to bring those back to the United States, the companies would owe billions in taxes.

"It is quite amazing what the pharma companies can pull off, and it's a global issue," said Steven M. Rosenthal, a senior fellow at the Urban-Brookings Tax Policy Center.

Renae Merle
Renae Merle covers white-collar crime and Wall Street for The Washington Post. She has also worked for the Wall Street Journal and the Associated Press. Follow

Carolyn Y. Johnson
Carolyn Johnson is a science reporter. She previously covered the business of health and the affordability of health care to consumers. Follow