

106TH CONGRESS  
2D SESSION

# S. 2465

To amend the Internal Revenue Code of 1986 to deny tax benefits for research conducted by pharmaceutical companies where United States consumers pay higher prices for the products of that research than consumers in certain other countries.

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## IN THE SENATE OF THE UNITED STATES

APRIL 26, 2000

Mr. WELLSTONE introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to deny tax benefits for research conducted by pharmaceutical companies where United States consumers pay higher prices for the products of that research than consumers in certain other countries.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Prescription Price Eq-  
5 uity Act of 2000”.

1 **SEC. 2. DENIAL OF TAX BENEFITS FOR RESEARCH CON-**  
 2 **DUCTED BY PHARMACEUTICAL COMPANIES**  
 3 **WHERE THE PRODUCTS OF THAT RESEARCH**  
 4 **ARE SOLD AT HIGHER PRICES IN THE**  
 5 **UNITED STATES THAN IN CERTAIN OTHER**  
 6 **COUNTRIES.**

7 (a) IN GENERAL.—Part IX of subchapter B of chap-  
 8 ter 1 of the Internal Revenue Code of 1986 (relating to  
 9 items not deductible) is amended by adding at the end  
 10 the following new section:

11 **“SEC. 280I. BENEFITS FOR RESEARCH CONDUCTED BY**  
 12 **PHARMACEUTICAL COMPANIES WHERE THE**  
 13 **PRODUCTS OF THAT RESEARCH ARE SOLD AT**  
 14 **HIGHER PRICES IN THE UNITED STATES**  
 15 **THAN IN CERTAIN OTHER COUNTRIES.**

16 “(a) IN GENERAL.—If a worldwide affiliated group  
 17 has any disqualified gross receipts from any developed for-  
 18 eign country for any calendar year, then the applicable  
 19 percentage of the research-related tax benefits shall not  
 20 be allowed to any taxpayer which is a member of such  
 21 group for such taxpayer’s taxable year ending within such  
 22 calendar year.

23 “(b) DEFINITIONS.—For purpose of this section—

24 “(1) DISQUALIFIED GROSS RECEIPTS.—The  
 25 term ‘disqualified gross receipts’ means, with respect  
 26 to any developed foreign country, gross receipts of

1 the worldwide affiliated group from prescription  
2 drugs manufactured or produced by any member of  
3 such group and sold for use or consumption in such  
4 country if such gross receipts are at least 5 percent  
5 less than the amount which would be such gross re-  
6 cepts were such drugs sold at their respective aver-  
7 age manufacturing prices charged by members of  
8 such group in the United States.

9 “(2) DEVELOPED FOREIGN COUNTRY.—The  
10 term ‘developed foreign country’ means any foreign  
11 country which is a member of the Organization for  
12 Economic Co-operation and Development.

13 “(3) APPLICABLE PERCENTAGE.—The term  
14 ‘applicable percentage’ means the percentage  
15 which—

16 “(A) the aggregate disqualified gross re-  
17 cepts of the worldwide affiliated group, bears  
18 to

19 “(B) the aggregate gross receipts of such  
20 group from all prescription drugs which are  
21 manufactured or produced by members of such  
22 group.

23 “(4) RESEARCH-RELATED TAX BENEFITS.—The  
24 term ‘research-related tax benefits’ means the bene-  
25 fits provided by—

1           “(A) section 41 (relating to credit for in-  
2           creasing research activities),

3           “(B) section 45C (relating to clinical test-  
4           ing expenses for certain drugs for rare diseases  
5           or conditions), and

6           “(C) section 174 (relating to research and  
7           experimental expenditures).

8           “(5) WORLDWIDE AFFILIATED GROUP.—The  
9           term ‘worldwide affiliated group’ means any affili-  
10          ated group as defined in section 1504 (determined  
11          without regard to paragraphs (3) and (4) of  
12          1504(b)).

13          “(c) CAPITALIZATION OF EXPENDITURES FOR  
14          WHICH TAX BENEFIT DENIED.—Expenditures to which  
15          section 174 does not apply by reason of this section shall  
16          be treated for purposes of section 197 (relating to amorti-  
17          zation of goodwill and certain other intangibles) as a sec-  
18          tion 197 intangible acquired on the last day of the taxable  
19          year in which such expenditures are paid or incurred.”

20          (b) CLERICAL AMENDMENT.—The table of sections  
21          for such part IX is amended by adding at the end the  
22          following new item:

          “Sec. 280I. Benefits for research conducted by pharmaceutical  
          companies where the products of that research are  
          sold at higher prices in the United States than in  
          certain other countries.”

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 the date of the enactment of this Act.

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