

106TH CONGRESS
2D SESSION

H. R. 3665

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.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 15, 2000

Mr. STARK introduced the following bill; which was referred to the Committee on Ways and Means

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 Organisation 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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