



June 8, 2022



The Honorable Charles Schumer
Democratic Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, D.C. 20510

Dear Leaders Schumer and McConnell:



We write in opposition to the 95 percent tax on prescription medicines contained in H.R. 5376, the “Build Back Better Act.” The Senate should reject this harmful tax increase on the middle class, most notably seniors.



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Section 139002 of the bill imposes a new excise tax of up to 95 percent on the gross sales of prescription medicines. The only way this tax can be avoided is if drug manufacturers submit to government-imposed price controls.

In a time of inflation levels not seen in many decades, the last thing Americans need to worry about is a new 95 percent tax on the prescription medicines they need to live healthy and fulfilling lives. A tax of this amount would nearly double the price of any prescription drug subject to it. It goes without saying that this tax would be faced by millions of Americans making far less than \$400,000 per year—the very people President Biden promised not to raise taxes on.



A price control to avoid the tax isn’t a better option. Price controls have never worked throughout recorded human history. Without exception, they lead to scarcity and eventually government rationing. The end point of a price control is the government deciding who does and does not qualify for the scarce product or service. We believe that all Americans should have access to the prescription medicines they need free of government interference.



A 95 percent tax on prescription medicines under threat of price control is unnecessary. Since well before the Covid pandemic, net price growth for drugs have come in well under the general inflation rate. In fact, prescription drug prices increased around 1% in 2021, much lower than the 7% inflation rate Americans experienced during that same time period. A 95 percent drug tax and price control threat is a solution in search of a problem.

The United States is the world’s leading developer of life-saving medicines, a fact highlighted during the COVID-19 pandemic. Both the 95 percent tax and price controls



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will dry up funding for future research and development of new drugs. The next generation of innovative drugs should not be endangered by reckless government decisions today.

The 95 percent prescription drug tax is not serious healthcare or tax policy, and should be dropped.

Sincerely,

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Goldwater

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for
Property Rights

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Paul Morinville
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