FACTCOALITION
Financial Accountability & Corporate Transparency

Eric Longnecker
Deputy Assistant Secretary for Technology Security
Bureau of Industry and Security
U.S. Department of Commerce

Re: Notice of Request for Public Comments on Section 232 National Security Investigation of Imports of Pharmaceuticals and Pharmaceutical Ingredients

Submitted electronically via www.regulations.gov, Notice ID BIS-2025-0022

Dear Deputy Assistant Secretary Longnecker,

The Financial Accountability and Corporate Transparency (FACT) Coalition appreciates the opportunity to offer comments on the Department of Commerce's investigation into the national security implications of imports of pharmaceuticals and pharmaceutical ingredients, and their derivative products. The FACT Coalition is a non-partisan alliance of more than 100 state, national, and international organizations promoting policies to combat the harmful impacts of corrupt financial practices. We have been a leading champion of financial transparency and corporate tax reform in the United States for more than 14 years.

This comment responds particularly to criteria (viii) as listed in § 705.4 of the National Security Industrial Base Regulations: *the feasibility of increasing domestic capacity for pharmaceuticals and pharmaceutical ingredients to reduce import reliance*.

We wish to draw your attention to the fact that the administration's current and prospective trade policy as it relates to bolstering domestic manufacturing of pharmaceuticals is significantly undermined by the tax code's treatment of foreign income, and in particular by incentives in the code that reward the offshoring of U.S. pharmaceutical and other manufacturing. **Unless these tax incentives are removed, any Section 232 measures would not be effective in meeting the intended policy goal of reshoring pharmaceutical production.**

Specifically, the tax deduction for Global Intangible Low-Taxed Income (GILTI) (26 U.S.C. 250) and the exemption from GILTI for Net Deemed Tangible Income Return (26 U.S.C. 951A(b)(1)(B)) provide substantial incentives for U.S. pharmaceutical companies to locate production of critical drugs overseas. These two provisions, when taken together, result in effective tax rates of less than half the statutory corporate rate of 21 percent on income derived from the production of pharmaceutical and other products abroad by U.S. companies. Such tax incentives increase U.S. pharmaceutical import reliance, and should be removed from the code.

For more information on the relationship between U.S. corporate tax policy and pharmaceutical manufacturing, see the following publications:

- Bloomberg Tax: *'America Last' Corporate Tax Policies Can End With This Congress*
- Law 360: Tax Breaks For Offshore Production Could Thwart Tariffs' Goal
- FACT Coalition: Step One to Saving Domestic Manufacturing? Stop Giving Tax Breaks for Offshoring

Thank you for your consideration of these comments. The FACT Coalition would be happy to discuss these comments at your convenience. Please contact Zorka Milin (zmilin@thefactcoalition.org) with any questions or concerns.

Respectfully submitted,

Zorka Milin
Policy Director, FACT Coalition

Thomas Georges
Policy and Communications Officer, FACT Coalition