



COMMITTEE ON
WAYS & MEANS
REPUBLICANS

the **WAY FORWARD** *on* **HEALTH CARE**

CREATING MORE MADE-IN-AMERICA DRUGS & CURES

What's the problem?

In our quest to find a cure to COVID-19, we are learning the normal rules of supply and demand aren't working. Americans—and the world—are desperate for a cure to this virus. And in order for that to happen, we need to develop a resilient medical supply chain here in the U.S. that can be the global leader for new therapies and medical cures—one that reduces our reliance on products manufactured in China.

That requires more private investment and a nimbler manufacturing system than we have today.

Here's how we'd fix it:

First, **we must attract private capital investment in critical therapeutic areas** to give the global population a head-start on the next outbreak. [GOP members of the Ways and Means Committee](#) have developed three steps to expand our capacity to develop cutting-edge cures and medicines:

- Direct investment toward innovative, smaller firms.
- Eliminate roadblocks for investors to finance these biotech companies.
- Make it easier for there to be greater and earlier investment in these life-saving cures.

Our country's smallest biotech firms are some of the biggest innovators. These small research firms are on the frontlines of this battle, engaging in the most innovative aspects of infectious disease drug development without any previously FDA-approved products.

We need to do more to help them raise the funds they need to make these discoveries. Our legislation will direct investment towards these smaller firms, helping them raise the funds needed to continue doing this life-saving work.

Further, because small firms have no revenues, they cannot benefit from the normal tax incentives companies use to reduce their taxable income – like tax credits or expensing research and development (R&D) costs. They also have a harder time attracting outside investors who do not see a substantial upside to an investment in a firm that may never generate profits. Congress needs to make it easier for these innovators to raise money and bring these cures to market.



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We also need to allow greater and earlier investment toward cures. Our tax system should make it easier to unite those developing these cures and those looking to invest in these medicines. Our legislation provides greater flexibility so that financial support for certain drug development firms isn't discouraged by risk.

If these firms eventually lose money, investors in these firms would be able to use their share of the firm's losses or R&D tax credits to offset income from other investments. This makes supporting these innovators more attractive. This small tweak will make a big difference in attracting investment to these cures.

Second, we must shift to advanced manufacturing. Top scientists from the Food and Drug Administration said "advanced manufacturing" – which means to utilize new and emerging approaches to enhance the making of cures and treatments – will help increase the production and invention of new medical breakthroughs. Whether through 3D printing for medical devices or advancing new gene therapies, advanced manufacturing "enables innovation," boosts efficiency, and improves "supply chain resiliency for medical products that provide wide-ranging public health benefits," according to the FDA.

The FDA is right: There are tremendous benefits to advanced manufacturing for all Americans. That's why House Republicans are working to advance legislation that would help deploy these new medical throughs, benefiting patients, medical providers, and the economy.

Ways and Means Republicans, led by Rep. Brad Wenstrup (R-OH), introduced the Domestic Medical and Drug Manufacturing Tax Credit. This legislation lowers the tax rate on the income from the domestic manufacturing and sales of active pharmaceutical ingredients and medical countermeasures – giving manufacturers more immediate capital to invest in advanced manufacturing.

By providing a credit of 10.5 percent of the net income from the sale of these important medical products, this effectively cuts the corporate tax rate of 21 percent in half on these domestically manufactured products.

The bill also creates a 30 percent tax credit for new investments in advanced manufacturing equipment or machinery used in the U.S. to manufacture drugs, medical devices, or biological products. The credit phases down to 20 percent in 2028, 10 percent in 2029, and phases out in 2030.