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House Ways and Means Committee
Manufacturing Tax Reform Working Group
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Representatives Gerlach and Sanchez:

On behalf of AmerisourceBergen Corporation, I am writing to express my opposition to the repeal of the "Last-In First-Out" (LIFO) accounting method. Repeal of LIFO was included in the President's 2013 budget request as a potential source of revenue. AmerisourceBergen (ABC) supports tax reform efforts aimed at making U.S. businesses more competitive; however, repeal of LIFO will cause great harm to many businesses and industries, especially under these fragile economic conditions, potentially counteracting the economic benefits of tax reform.

AmerisourceBergen (NYSE: ABC) is one of the world's largest pharmaceutical services companies serving the United States, Canada and selected global markets. Servicing both pharmaceutical manufacturers and healthcare providers in the pharmaceutical supply channel, the Company provides drug distribution and related services designed to reduce costs and improve patient outcomes. AmerisourceBergen's service solutions range from pharmacy automation and pharmaceutical packaging to reimbursement and pharmaceutical consulting services. With more than \$80 billion in annual revenue (more than 95% U.S.), ABC is headquartered in Valley Forge, PA, and employs approximately 13,000 people. We have facilities in 26 states and 49 congressional districts and Puerto Rico. I am sending this letter to you and other Members of Congress who represent our operations to ensure you are aware of the dramatic impact LIFO repeal would have on our company and thousands of other businesses.

LIFO has been an established and recognized accounting method in the U.S. since the 1930's and is utilized for tax reporting purposes by a broad spectrum of businesses. LIFO is an accurate and appropriate means of evaluating inventory to calculate actual earnings for tax purposes, particularly in situations where inventories are subject to inflationary pressures. Eliminating LIFO would have a grossly disproportionate impact upon pharmaceutical distributors with inventories of high-volume, high value medications. According to a 2010 PricewaterhouseCoopers study on tax accounting for the pharmaceutical distribution industry, **repeal of LIFO would increase the federal income tax liability, on an ongoing basis, for pharmaceutical distributors by 51.8 percent – or nearly three times more than the average industry.** This is particularly challenging in an industry that has an exceptionally low pre-tax profit margin of 1.2 percent.

In addition, if LIFO were repealed retroactively, ABC would be required to repay \$1 billion in previously obtained tax benefits, which is more than ABC's annual after tax profits. The additional tax due represents approximately 40 percent of ABC's net worth and 9 percent of its

stock market capitalization. Repayment of previous tax benefits of this magnitude would have a devastating impact on ABC's finances, so LIFO repeal would have a disproportionately onerous impact on all our stakeholders – including associates, suppliers, customers and shareholders.

Given the dire economic consequences which would be imposed on ABC and the pharmaceutical distribution industry, I urge you to please oppose any legislation to repeal LIFO. The viability of the industry – which provides consumers with an estimated \$42 billion annually in savings¹ through the efficiencies we provide the supply chain – is at stake. Please contact Rita Norton in our Washington, DC office at 202-887-4942 if you would like additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven H. Collis". The signature is fluid and cursive, with the first name "Steven" being the most prominent.

Steven H. Collis
President & Chief Executive Officer
AmerisourceBergen Corporation

¹ Booz Allen Hamilton, 2011 “The Role of Distributors in the U.S. Healthcare Industry.”