J&J: Planned Tax On Device Makers Too High

by Linda A. Johnson, AP

Johnson & Johnson executives said Tuesday that a proposed tax on medical device makers, part of the health care reform package moving in the Senate, is too high and could cost jobs in the industry.

“We think that the $4 billion tax that they're referring to is unreasonable,” J&J Chief Financial Officer Dominic Caruso told The Associated Press in an interview. “We believe it's at least twice what it ought to be.” Caruso spoke after New Brunswick, N.J.-based J&J reported its third-quarter earnings, which included a tiny profit increase and sales declines in every division except medical devices, which is attributed to the effects of generic competition and the recession.

Caruso told analysts that the proposed $4 billion-a-year tax would amount to about 3 percent of total medical device industry revenues, now approximately $125 billion a year. He said that could increase the typical tax rate for companies in the industry by about 11 percent.

Alex Gorsky, head of medical devices and diagnostics at J&J, said such a high tax could become onerous. “We're hopeful that we can get legislation through that's fair but also permits an environment of innovation,” Gorsky said.

Caruso said company executives, along with the industry trade group AdvaMed, continue to tell the Obama administration and members of Congress why they believe such a high tax would be unfair. He said it “might have the unintended consequence of stifling innovation” and eventually reduce U.S. jobs.

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