WHY DO PHARMACEUTICAL DISTRIBUTORS USE LIFO?

- **Protects against pharmaceutical product price inflation.**
- Allows companies to maintain and replenish high-volume inventories of high-value products and ensures patients have access to needed medications in a timely manner.
- Creates incentives for businesses to invest in inventory, new distribution centers, employees and technology.
- If no inflation is present, companies **DO NOT** benefit from LIFO election.
- 98% of pharmaceutical distributor inventories and net sales use LIFO.
- The weighted average profit margin in pharmaceutical distribution is 1.1% (2016).

WHAT WOULD LIFO REPEAL DO TO PHARMACEUTICAL DISTRIBUTION?

- Increase ongoing tax rates by 45% — **eight times** more than the average industry.
- Recapture tax represents multiple years of profitability — **392%** of reported tax liability levels.
- Exert pressure on low-margin industry resulting in increased costs to pharmacies under pressure from low reimbursement.
- Increase acquisition costs for payers, providers and patients — including potentially **increased costs to government programs that acquire pharmaceutical products.**

**SOURCES:**