

Neglected Disease Tax Credit

The World Health Organization has designated ten diseases as “neglected diseases” based on the lack of funding and research dedicated to developing treatments and cures for these devastating and often deadly diseases. The ten neglected diseases occur predominantly in third-world countries where the financial resources are not available to pay for treatments even if they were available. Simply put, vital research is being neglected because it is not profitable to develop treatments for neglected diseases.

The Neglected Disease Tax Credit proposal is designed to help encourage companies to conduct the vital research necessary to develop treatments and possibly cures for neglected diseases and the millions of persons affected by them. While the proposal certainly will not make the development of neglected disease treatments profitable, it will allow companies to recoup a portion of their research and development expenditures. The proposal is modeled after the successful and well-known Orphan Drug Tax Credit (Tax Code section 45C).

The Neglected Disease Tax Credit proposal would:

- Provide a 50 percent tax credit for pre-clinical (before human clinical testing) research expenditures incurred for the development of “neglected disease” treatments.
 - “Neglected disease” would be defined as the ten diseases classified as neglected diseases by the Special Programme for Research and Training in Tropical Diseases of the World Health Organization. The ten neglected diseases are African trypanosomiasis, Dengue fever, Leishmaniasis, Malaria, Schistosomiasis, Tuberculosis, Chagas disease, Leprosy, Lymphatic filariasis, and Onchocerciasis.
- Restore the full deduction for research costs that are eligible for the 50 percent neglected disease tax credit.
- Require a charitable non-deductible donation of the rights to the neglected disease treatment to an organization the principal purpose of which is to research, develop or administer treatments for neglected diseases. (The taxpayer retains no rights with respect to the treatment of the neglected disease.)
- Not be refundable or tradable.
- Contain anti-abuse language to ensure that only expenses incurred for neglected disease research would qualify for the credit. This anti-abuse language would draw from current IRS and taxpayer practices with respect to project accounting.