

Tax Advantages of an IC-DISC



Does your closely-held organization earn income from exporting US-made products? If you're looking for a permanent tax savings, consider an Interest Charge Domestic International Sales Corporation, or IC-DISC. An IC-DISC offers exporters tax savings resulting from a reduction in the tax rate on qualified dividends. It is available to manufacturing and distribution companies and all forms of business entities, including C-corps, S-corps, partnerships, LLCs and sole proprietors. An IC-DISC will not impact your company's operations. It is completely transparent to your customers.

What is an IC-DISC

IC-DISC stands for Interest Charge Domestic International Sales Corporation. Once an IC-DISC has been established, the company pays no federal income taxes and your tax liability is reduced by effectively converting a portion of your net export income into qualified dividends generally taxed at 20 percent. The benefits of an IC-DISC are typically available on the sale of products produced in the United States and destined for ultimate use outside of the country. However, the 'foreign content' used in the manufacturing of the products cannot exceed 50 percent of the exporter's selling price of the goods.

Many manufacturing companies that are considering the implementation of an IC-DISC do not realize that direct and indirect exports of manufactured goods qualify. Having Chortek perform a detailed analysis of the sales channels for manufactured products often results in the conclusion that an IC-DISC is an available option to yield tax savings.

Don't delay. The tax benefits of an IC-DISC are NOT retroactive. Benefits are realized only after the IC-DISC is established.

IC-DISC Example

Gross Export Sales	\$6,000,000
Sales Method @	4%
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Commission = Dividend =	\$240,000

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Tax Savings from Commission Deduction	
	\$240k x 39.6% = (\$95,400)
Tax on Dividend	
	\$240k x 20% = \$48,000
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NET TAX SAVINGS	\$47,040
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For More Information

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Chortek advises business leaders and individuals on innovative ways to protect assets and enhance efficiencies through a consistent, client-centric experience.