

# TAX SAVINGS FOR EXPORTERS: IC-DISC

LEARN HOW TO SAVE MONEY AND GROW YOUR BUSINESS

FAST FACTS

## Overview

The IC-DISC (Interest Charge Domestic International Sales Corporation) is a powerful tax-saving opportunity for U.S. exporters. IC-DISC offers exporters permanent tax savings primarily resulting from a reduction in the tax rate on qualified dividends. It is available to manufacturers and distributors and to all forms of business organizations, including C corporations, S corporations, partnerships, LLCs and sole proprietors. There are several variations to the IC-DISC structures to accommodate different objectives, but each structure offers the ability to defer recognizing the commission income until it is distributed to the shareholders.

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An IC-DISC is the only current U.S. government-sponsored tax benefit program for exporters.

In its simplest terms, an IC-DISC is a “paper” entity used as a tax savings vehicle for exporters. It does not require office space, employees, payroll or tangible assets; rather, it is a shell company that serves as a conduit for export tax savings. All business activities take place in your existing operating company, and none of your customers will know you have an IC-DISC. The benefits

obtained from an IC-DISC are on a go-forward basis only; no retroactive benefits exist, so delaying the start of your IC-DISC only reduces your benefits now. The tax benefits are based on the differential between the qualified dividend rates of 15 to 23.8 percent and the ordinary income tax rates of up to 37 percent on that money. The amount of money that can be moved to an IC-DISC, which will ultimately determine your tax savings, is based on the export sales revenue and pre-tax export sales profit that take place within your operating company.

The U.S. government agrees that a key to our nation’s economic future is strengthening our manufacturing sector and encouraging exports. The IC-DISC is tailor-made to encourage exactly such activity, providing a tremendous tax incentive for small and midsize businesses that manufacture and export. The door is open for significant tax savings for these businesses; you just have to walk through. As it is a part of the U.S. tax code, entities like law firms and tax advisory firms are most familiar with how an IC-DISC works and can be structured.

For more information, please contact  
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