

TAX SAVINGS FOR EXPORTERS: IC-DISC

LEARN HOW TO SAVE MONEY AND GROW YOUR BUSINESS

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.

Learn more

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% and the ordinary income tax rates of up to 37% 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 the global trade and investment team:
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