

IC-DISC EXEMPTION



EXPORT TAX INCENTIVE PROGRAM (IC-DISC)

One of the last remaining export tax incentives is the interest charge-domestic international sales corporation ("IC-DISC"). At a relatively high level, the IC-DISC can save taxpayers upwards of six digits or more in annual tax savings if they qualify. The savings will vary depending upon each specific taxpayers' spread between their ordinary tax rate and their lower qualified dividend tax rate.

For almost three decades, Dan Martinez & Assoc. LLC (M&A) has successfully provided tax reduction strategies for the economic benefit of individual shareholders and privately held businesses interested in leveraging their businesses export income to take advantage of export tax incentives.

An IC-DISC is a tax-exempt entity that pays no federal income tax on its earnings. The DISC charges its related exporter ("Related Supplier") an export management fee commission. The commission is considered an ordinary expense for the Related Supplier. The DISC's earnings are paid to its shareholders in the form of qualified dividends. In addition to the preferential dividend rate, the use of a DISC also provides an opportunity to defer some or all dividend payments and the corresponding tax liability into future periods.

The types of exporters that may qualify for the DISC are:

- Manufacturers that directly or indirectly export their products
- Manufacturers that sell products that are destined for overseas
- Architectural and Engineering firms who work on International projects

There are two DISC calculation types, the "simple" and the more complex "transaction by transaction." The transactional DISC calculation delivers an increased tax savings benefit up to 3X (3 times) vs. the simple calculation. M&A assists our clients with all aspects of their DISC needs and performs commission calculations and the preparation of the annual DISC returns total turnkey.



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"M&A State Tax Specialist, LLC strives to consistently provide the highest level of services and representation to its clients through the effective use of technology, communication, and experience. Quality, integrity, detail, and perseverance are why we succeed."

Dan Martinez

