

Interest Charge Domestic International Sales (IC-DISC)

Tax Savings for Exporters

Congress over the years has repealed, under pressure from the World Trade Organization, many trade incentives that have been available to US businesses. However, one powerful tax-savings vehicle remains – the Interest Charge Domestic International Sales Corporation, or “IC-DISC”.

The IC-DISC has been in place since 1984, however, it was not until passage of the Jobs and Growth Tax Relief Reconciliation Act of 2004 (“JGTRRA”) that its use could provide significant tax savings. Under this Act, dividends paid by an IC-DISC qualify for the favorable 15% tax rate on dividend income. This reduced rate of tax provides qualifying businesses an opportunity to reduce the tax rate by up to 20% on a significant amount of their income.

Who will Qualify?

- A U.S. business that exports goods overseas.
- No more than 50% of the value of the goods has been imported into the U.S. prior to manufacture.

How does an IC-DISC work?

- Exporter establishes a tax-exempt US corporation (the IC-DISC).
- A tax-deductible commission, based upon the amount of income from sales of exported goods, will be paid to the IC-DISC.
- Since the IC-DISC is a tax-exempt entity, no tax is assessed to the IC-DISC on the commission income received.
- The IC-DISC makes dividend payments to the owners, who will be taxed at a maximum 15% rate on the amount of dividends received.

Our RINA international tax team can assist you in determining whether your business qualifies for these benefits and will assist you in setting up and managing the IC-DISC, regardless of what state your business operates in.

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