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Do you export?

The IC-DISC allows you to exclude up to 80% of your export profits from US taxation

What is an IC-DISC? The Interest Charge Domestic International Sales Corporation (IC-DISC) is a vehicle that provides an opportunity for small-to-medium-size companies to have up to 80% of its export profits excluded from US taxation. Profits are taxed at the current dividend rate of 20% as opposed to the ordinary income rate of up to 39.6%. The significant savings afforded by the IC-DISC are meant to increase the competitiveness of a US-based company with export sales and to help it compete in the global market.

The basic operations of an IC-DISC:

- A US exporter (or its owners) forms an IC-DISC that acts as a commission agent for the company's export sales
- The US exporter pays a tax deductible commission to the IC-DISC
- The IC-DISC pays no US income tax on the commission income
- The IC-DISC pays a dividend to its shareholders who are taxed at the current preferred qualified dividend tax rate of 20%
- This results in a 19.6 percentage point federal tax savings, 39.6% regular tax rate minus a 20% dividend tax rate

Who qualifies? The IC-DISC is a powerful export incentive for small-to-medium-sized companies with annual gross revenues of generally $1 million or more that export property that is manufactured or produced in the US. Businesses include:

- manufacturers
- producers
- farmers
- wholesalers
- distributors
- architectural and engineering firms
- software developers
- other goods and or services

Transactions that qualify include direct sales to a foreign purchaser and sales to a US purchaser if the goods are destined for use in a foreign country.

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