



IC-DISC: A MONEY-SAVING OPPORTUNITY — *for* — EXPORTERS



WHAT IS IC-DISC?

An Interest Charge-Domestic International Sales Corporation (IC-DISC) is a statutory provision of the U.S. Internal Revenue Code (tax code) that provides a federal income tax incentive to keep jobs in the United States and sell products and services for use outside of the U.S. The incentive is realized by allowing some or all of the taxable income relative to export sales to be taxed as a qualified dividend (23.8 percent) as opposed to ordinary income (37 percent).¹

Reduce ordinary income taxes & improve your bottom line With an IC-DISC. Your taxable rate could drop from 37% to 29.6%—offering the potential to save you a lot of money and boost your bottom line profits.

What does IC-DISC cover?

IC-DISC applies to products and services produced, grown, manufactured, or extracted in the U.S. and sold for use outside of the country. Examples include:

- Manufactured: textiles, shoes, jewelry, clothing
- Produced: food products, films, software, architectural designs
- Grown: agricultural & horticultural products, processed timber
- Extracted: seafood, scrap metal

Benefits of an IC-DISC include:

- Reduce federal income tax
- Improve competitive advantage
- Non-invasive to normal business operations



REMEMBER: IC-DISC is a statutory provision in the U.S. tax code and one that every U.S.-based exporter should consider. Products must contain at least 50 percent U.S. content based on total fair market value (not cost), including gross margin, to qualify for IC-DISC.

¹ Assuming shareholders are taxed at the highest tax bracket.





WHY SHOULD I CONSIDER IC-DISC?

You're interested in reducing your company's federal income tax

An IC-DISC can reduce your tax liability by converting a portion of your export income, which is taxable at ordinary income rates as high as 37%, into qualified dividends generally taxed at 23.8%. Small companies that manufacture and export have a unique tax saving opportunity in the IC-DISC. If you export products such as a seafood, wood, scrap metal, technology or agriculture or you sell a product to a distributor who then sells the product outside the U.S. within one year, you won't want to pass up this tax break.

You want to increase your competitive advantage

An IC-DISC can level the playing field for smaller U.S.-based manufacturing companies competing overseas by providing much needed cash flow. The global marketplace is a fiercely competitive arena and increasing competition only reduces profit margins. Local companies in the export market may be subject to lower tax rates on profits, placing U.S. based companies at a pricing disadvantage. Increasing your tax savings from export sales is one strategy to improve cash flow. Tax savings can be reinvested in the business, provide working capital, improve your bottom line, or lower your sales price.

IC-DISC is non-invasive to normal business operations

The beauty of an IC-DISC to exporters is that it is completely non-invasive to your day to day operations. The IC-DISC is merely a separate legal entity that is established by your company to act as an intermediary from a tax reporting standpoint. You must obtain Internal Revenue Service (IRS) approval to qualify as an IC-DISC. You are also required to set up a separate bank account, keep accounting records and file U.S. tax returns for your IC-DISC. Your core function, exporting U.S. made goods and services, is not impacted. The more you export, the larger the amount you can pay to your IC-DISC and the greater your tax savings will be.

Does your company qualify for an IC-DISC?²

- ☐ Is your product manufactured in the U.S.?³
- ☐ Does your company directly or indirectly export more than \$3 million annually?
- ☐ Is your company privately-held?
- ☐ If you are entitled to pay less in taxes, would you like to do so?

² Courtesy of Export Advisors, Inc. © 2024

³ Companies that provide engineering or architectural services may also qualify if those services relate to projects located outside the U.S.

Contact a Certified Public Accountant with in-depth experience with IC-DISCs to give this tax-savings opportunity a closer look.



IS IC-DISC FINANCIALLY COMPELLING?⁴

<i>Export Sales</i>	<i>Estimated Minimum Tax Savings</i>	<i>Estimated Maximum Tax Savings</i>
\$3 Million	\$14,000	\$69,000
\$5 Million	\$23,000	\$115,000
\$10 Million	\$46,000	\$230,000
\$25 Million	\$115,000	\$575,000
\$100 Million	\$460,000	\$2,300,000

⁴ Calculation table courtesy of Export Advisors, Inc. © 2024
Estimated tax savings based on historical results of Export Advisors, Inc., rounded to the nearest \$1,000.



ADDITIONAL RESOURCES

Small and mid-size exporters are more likely than most to overpay on their taxes, with an estimated 50% of these businesses doing so each year. To avoid this, learn more about IC-DISC and EXIM Export Credit Insurance products.



Watch an IC-DISC Webinar

Learn about IC-DISC and other government programs designed for U.S. small businesses.

grow.exim.gov/ic-disc



Basic Guide To Exporting

Learn the basic fundamentals of exporting and turn export opportunities into sales.

grow.exim.gov/basic-guide



Guide to Export Credit Insurance

Learn how to protect your foreign receivables from bad transactions.

grow.exim.gov/export-credit-insurance-eci



EXIM Blog

For the latest insights, events and resources in the world of exporting, visit the EXIM blog.

grow.exim.gov/blog



Learn More

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This is a descriptive summary to be used only as a general introductory reference tool. The complete terms and conditions of the policy are set forth in the policy text, applications, and endorsements.

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