

## Frequently Asked Questions about the IC DISC

**1. What does IC DISC stand for and why would I set one up?**

ANSWER: IC DISC stands for Interest Charged Domestic International Sales Corporation. It is a tax incentive available to a privately-held US manufacturer or distributor that delivers products outside of the United States.

**2. I sell many of my products through distributors here in the US that deliver them outside the US. Do I get to include those sales?**

ANSWER: Yes, sales of your products that leave US shores within one year of selling or transferring them to your distributor will qualify. Additionally, if your product is a component on a larger product that is delivered outside of the United States within one year of sale, it will also qualify.

**3. Do the export sales need to be done through the IC DISC?**

ANSWER: No, your export sales can be done as they have always been completed, through your company. The IC DISC can act as a commission agent receiving only the sales commission amounts.

**4. Can I include export transactions that occurred before the IC DISC was set up?**

ANSWER: No, you may not include transactions retroactively. Once the corporation has been activated, transactions from that date forward will qualify (assuming they meet all the other tests).

**5. Which commission method is most beneficial to maximize my tax savings from the IC DISC?**

ANSWER: Maximizing tax savings through an IC DISC is a complex series of calculations using all of the available methods and groupings. Employing only one commission calculation method will not typically result in an optimized commission.

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**6. What is meant by the term transaction-by-transaction method?**

ANSWER: The tax regulations for the IC DISC allow a taxpayer to evaluate their export transactions using all of the available methods and groupings. Transaction-by-transaction means completing the analysis at the lowest possible level to identify the available profit to generate the maximum tax savings.

**7. If I deliver products to Mexico or Canada, do those transactions also qualify for the IC DISC?**

ANSWER: Assuming you meet the other tests for the products or services that were delivered to either Canada or Mexico, yes, those sales would qualify.

**8. What about delivering products to US possessions like Puerto Rico? Will those sales also qualify for IC DISC treatment?**

ANSWER: No, sales to US possessions are not qualified export sales for purposes of the IC DISC.

**9. What is the difference between product and product-line groupings?**

ANSWER: The tax regulations allow the grouping of similar products that are part of one product line together to calculate the profit margin. Conversely, the tax regulations also allow individual products to be grouped and a profit margin calculated.

**10. What services will qualify for IC DISC treatment:?**

ANSWER: Engineering and architectural services for construction projects that are outside the U.S. will qualify as well. Construction projects include those for the erection, expansion or repair (but not including minor remodeling or minor repair) of a new or existing building or other physical facilities including dams, roads, canals, bridges, tunnels, railroads, tracks and pipelines.

