



IC-DISC

Interest Charge Domestic International Sales Corporation (IC-DISC) can lead to federal tax savings for U.S. exporters.



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U.S. exporters are using a corporate structure provided by Congress that can reduce their federal taxes. According to the Export-Import Bank of the United States, the Interest Charge Domestic International Sales Corporation (IC-DISC) has the potential to provide federal income tax advantages for certain U.S. businesses engaged in exporting goods and services abroad. The use of the IC-DISC can generate tax savings by converting some of a business's export income into qualified dividends through a tax-deductible commission to the IC-DISC.

This effectively lowers the taxable income of the export business. Because an IC-DISC is tax-exempt, the commissions it receives are exempt from federal income tax. These commissions become taxable when the IC-DISC distributes qualified dividends to its owners. The shareholders of the IC-DISC are then liable for taxes on these qualified dividends, typically up to a maximum of 23.8%, comprising a 20% capital gains tax rate plus a 3.8% net investment income tax rate.

Certain manufacturers, service providers, distributors, software developers and architecture and engineering firms may be able to benefit from an IC-DISC. IC-DISCs can be set up regardless of your company size. If you export goods from the U.S., you may wish to consider looking into whether an IC-DISC makes sense for your business. Exporters should consult with tax counsel when making such determinations.

The U.S. Commercial Service can provide publicly available IRS guidance on the benefits of establishing an IC-DISC. However, you should engage a tax professional to determine eligibility and whether the IC-DISC is right for your business model.

Reach out to [your local U.S. Commercial Service Office](#) to explore ways to enter new overseas markets and increase your international sales.

Note: The U.S. Commercial Service mandate includes providing exporters with information on all export promotion and export finance activities of the Federal Government. The information in this article is derived from publicly available information about an Internal Revenue Code provision. The information in this article is not legal or tax advice. Please contact the [Internal Revenue Service](#), tax counsel, or a tax professional if you are interested in more information about this provision.