

INTRODUCTION TO IC-DISC

WHAT IT IS

An Interest Charge – Domestic International Sales Corporation “IC-DISC” provides a permanent tax savings opportunity for qualifying exporters.

- An IC-DISC is a statutory entity created by the tax code to incentivize export of U.S. manufactured product through federal tax savings
- By definition, a C-Corporation that elects IC-DISC (tax exempt) status
- Enable individuals to transform income from ordinary tax rates into qualified dividend tax rates



Tests for Qualifying Export Sales



MANUFACTURE TEST

Export property must be manufactured, produced, grown, or extracted in the U.S.



FOREIGN CONTENT TEST

No more than 50% of the fair market value of the export property can be attributable to the imported content.

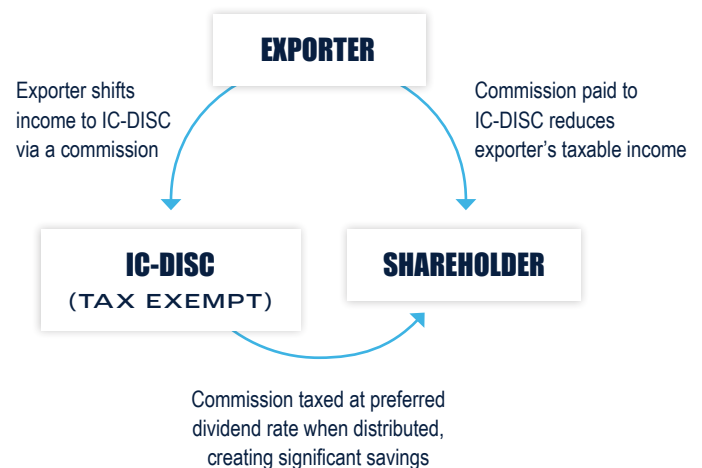


DESTINATION TEST

Export property must be held primarily for sale/lease/ultimate consumption permanently outside the U.S.

How Does an IC-DISC Work?

- An IC-DISC creates permanent tax savings by transferring income from the exporter to the tax-exempt IC-DISC through an export sales commission.
- The IC-DISC commission payment reduces the exporter's taxable income, thus reducing tax liability by the marginal tax rate of the commission amount.
- An IC-DISC commission is taxed at the qualified dividend rate when distributed to shareholders as dividends.
- The transfer of income to the IC-DISC creates a permanent tax rate arbitrage on the export sales commission.



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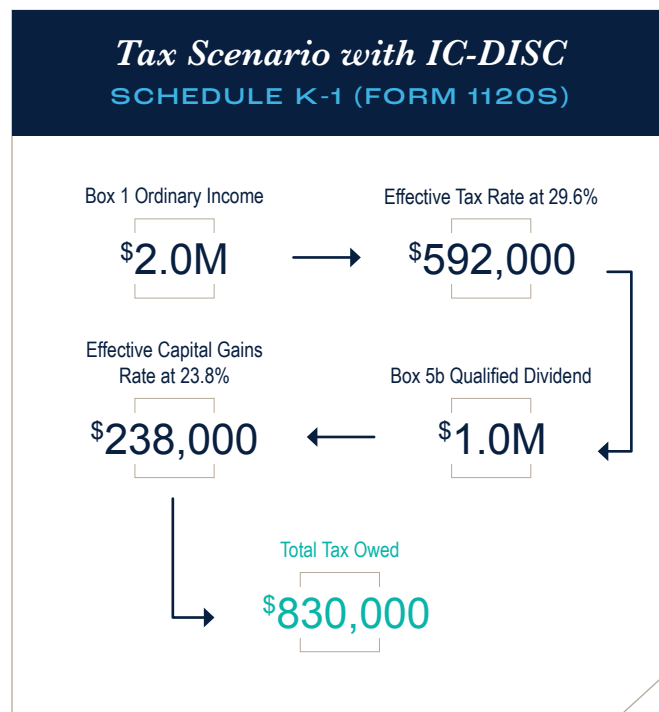
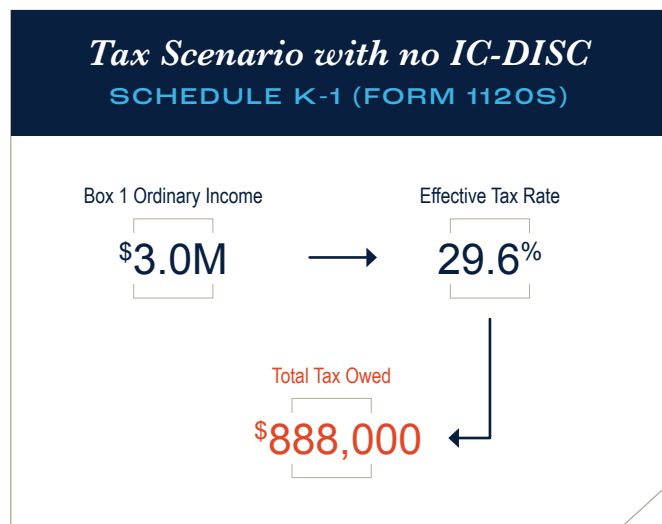


Illustration of IC-DISC Impact

(ASSUMING \$1M DISC COMMISSION)

For illustration purposes, assume a \$30M manufacturer generates total net income of \$3M. Without an IC-DISC in place, the company would pay approximately \$888K in

federal taxes. Assuming that a portion of its annual sales were comprised of direct and/or indirect exports that generates a \$1M IC-DISC Commission. The commission would result in a \$1M tax deduction at the effective pass-thru tax rates. Assuming this \$1M commission would then be taxed at capital gains rates, an annual tax savings of approximately \$58K would be generated.



Why Consider IC-DISC



Creates permanent tax savings on the export sales commission



Increases liquidity for shareholders or businesses



Supplies ongoing financing to reduce cost of capital



Creates a tax-advantaged vehicle for succession or estate planning



Eliminates double taxation for C-Corporations and defers taxes



WHY PARTNER WITH MCGUIRE SPONSEL AND FROEHLING ANDERSON?

Our partnership with McGuire Spensel helps U.S.-based exporters unlock the full value of the IC-DISC. We simplify setup and maintenance while maximizing long-term tax savings. Each year, we evaluate the best commission options—including detailed, transaction-level analysis—to ensure your business captures the greatest benefit with the least disruption.

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