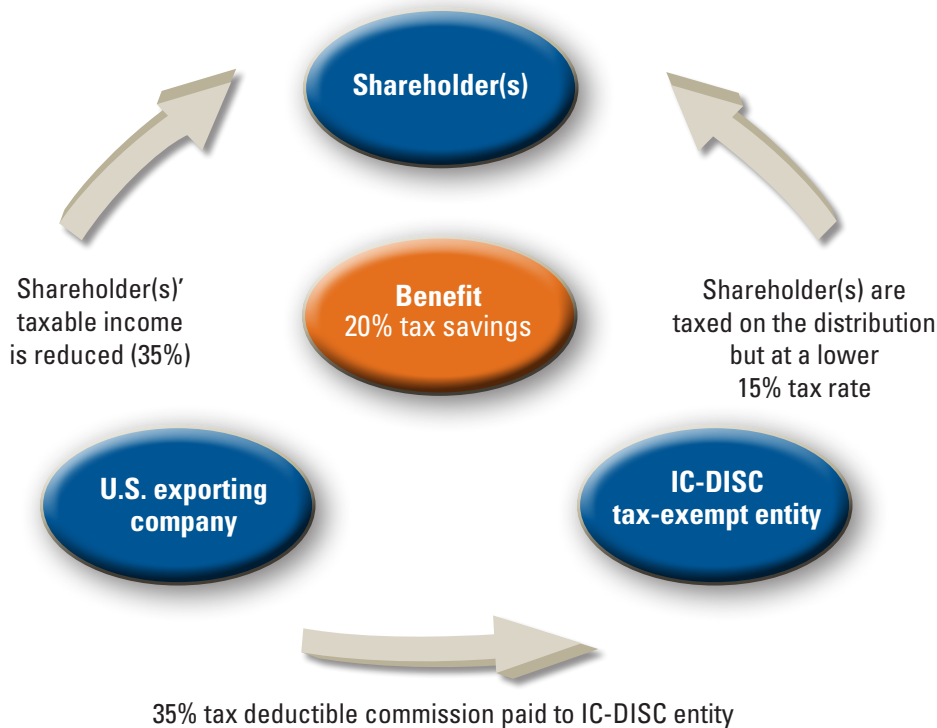


Set up an IC-DISC immediately and get a permanent tax savings of 20 percent on exports

The IC-DISC (Interest-Charge Domestic International Sales Corporation) is the last surviving export incentive for U.S. businesses and has never been challenged by the World Trade Organization (WTO) since its creation more than 25 years ago. Today the IC-DISC is a more attractive option than ever because of currently low dividend rates.

The IC-DISC provides U.S. export companies a permanent tax savings of 20 percent. This benefit begins on the date the IC-DISC is organized. The sooner a taxpayer creates an IC-DISC entity the greater their benefits will be. Remember, these benefits only start once your company or client establishes the IC-DISC.

IC-DISC is applicable to all entities that directly or indirectly export U.S.-made products. The basic operation of an IC-DISC is demonstrated as follows:



A U.S. exporter or shareholder(s) forms an IC-DISC.

The U.S. exporter pays a tax-deductible commission (at an estimated regular tax rate of 35 percent).

The qualifying IC-DISC entity pays no U.S. income tax on the commission income.

The commission income is accumulated in the IC-DISC and remains untaxed until the IC-DISC decides to pay a dividend to its shareholders(s), at the lower preferred qualified dividend tax rate of 15 percent.

The tax benefit is a 20 percent tax savings (35 percent regular tax rate less the 15 percent dividends tax rate).

An IC-DISC will keep your money where it belongs—in your business.



WE CAN HELP YOU FORM AND MAINTAIN YOUR IC-DISC

LarsonAllen's tax specialists works with clients and utilizes attorneys across the country to establish and maintain IC-DISCs. Our international tax experts assist clients with the following:

IC-DISC entity formation and related items

- Incorporating an IC-DISC entity and providing the required legal documents
- Ensuring entity is eligible to elect IC-DISC status upon its formation (requirements per IRC Section 992(a)(1)(C))
- Ensuring the IC-DISC commission agreement supports the contractual arrangement between the company and the IC-DISC, as required by current federal income tax regulations
- Obtaining a federal ID Number and preparing an IC-DISC election for the entity
- Drafting a template for completing future IC-DISC financial statements

Annual consultation and maintenance required for the IC-DISC

- Compliance with the IC-DISC qualification requirements (i.e., the Gross Receipts test and the Qualified Export Assets test)
- Maximizing transactional sales and the cost of sales to determine the optimal annual IC-DISC commission (applying permissible expense allocation and apportionment methodologies)
- Performing an annual IC-DISC financial statements review
- Ensuring tax return compliance including Form 1120-IC-DISC, Schedule Ks and Schedule Ps

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