
Exporter Tax Savings NewsLetter

Tax Planning

2007

IC-DISC >Interest Charge Domestic International Sales Corporation

IC-DISC Commission Planning 2007

We have probably been a little remiss in not providing more Benefit Enhancement Information to our readers, so we will focus on this Area in the February and March issues.

In the February 2006 Issue we discussed, on a broad view, the basic ingredients involved in seeking the most advantageous DISC Commission. This month we will focus more on the Gross Receipts Method and on enhancement planning opportunities that may be available.

The basic rule is to compute a commission based on 4% of the Gross Receipts. This method is usually preferred when the CTI profit Margin on the Transaction is less than 8%. In essence, this method results in a commission that will exceed 50% of the CTI until the CTI reaches 4%, at which time the commission will be 100% of the CTI.

As with most tax benefits, there is an unless. In this case, the unless is the no loss rule. The Commission may not exceed the actual CTI on the Transaction. However, the no loss rule may be mitigated somewhat by Grouping transactions belonging in the same SIC Code.

Transaction Example:

Sale	A- \$1,000	CTI 6%	\$ 60	Commission 4%	\$ 40
	B- 1,000	CTI 2%	20	Commission 2%	20*
Totals	\$ 2,000		\$ 80		\$ 60 (3%)

*Not to exceed profit

Grouping SIC Code Example.

Sales	\$2,000	CTI	\$ 80	Commission 4%	\$ 80
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Result: In essence a 1/3 increase in commissions. Sec. 994

- Grouping Rule of Thumb.**
- 1) Group by SIC Codes.
 - 2) Group all with CTI between 0-7.9%
 - 3) Do not include loss sales as DISC Qualified.

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