April 2006 **IC-DISC 2006 Tax Planning**

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IC-DISC > **Interest Charge Domestic International Sales Corporation**

Multiple IC-DISCs---May Not be Required!

In "most" situations involving Parent / Subsidiary Exporters or Brother / Sister Exporters it is not be necessary to form Multiple IC-DISC Structures to obtain IC-DISC benefits!

The key factor is one of ownership. For example, if the same Individuals owned the same % of stock in each of the Exporting Entities, from an equity point of view, it wouldn't make any difference to the shareholders if they received Dividends from five or one IC-DISC, as long as the total distribution remained the same to each shareholder.

This result can be easily accomplished with one IC-DISC having a separate commission agreement with each of the related Exporting Entities.

Having recently paid your 1040 Tax for 2005, Did you pay a 35% Tax on Your Export Profits ?

Since the IC-DISC savings are usually 20% on 50% of the profit, your Tax rate on Export Profits would not have exceeded 25%, had you owned shares in an IC-DISC! As we have mentioned many times, this program is not a Tax Shelter and does not invite Tax Audits, but is simply the result of the 2003 Tax Act which reduced the tax rate on Dividends.

The only way one can fully realize this benefit, as an Exporter, is through the ownership of an IC-DISC. While normal business ownership, in a Corporate form, can also generate Qualifying Dividends, the Corporation first has to pay a tax on 100% of the taxable income. Exporting income is the only type of business income eligible for this benefit, which usually allows for a 50% Dividend, without first paying a Corporate Tax. **We say usually, because if the Export profit margin is between 4% and 8%, it is possible to generate a 100% Dividend, without paying any Corporate Tax, provided an IC-DISC is in place before shipments.**

Exporter Tax Savings-Our Only Business!
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