

---

**IC-DISC Client Alert #1****Tax Planning**

IC-DISC > Interest Charge Domestic International Sales Corporation

---

**Maximizing IC-DISC Commission:**

In reviewing several commission computations, it becomes apparent that some options are not being fully explored in the attempt to maximize the IC-DISC benefit.

**1) Combined Taxable Income: ( CTI ) 50/50 Method**

This figure is arrived at by combining the Net Export profit of the Exporter less the expenses of the IC-DISC. The commission is 50% of this figure plus the Expenses of the IC-DISC.

ie: \$10,000 - 1,000 = \$9,000; 50% = \$4,500.

Commission from Exporter is \$4,500 + \$1,000. or \$5,500  
IC-DISC income will be \$5,500 less Expense of \$1,000. or \$4,500.

**2) Export Promotion Expenses: Reg. 1.994-1©(2)&(3) as defined in (f).  
(The following commission add on may be used for 50/50 or the 4% method.**

**Export: Market Studies, Advertising, packaging\*, labeling and most important 50% of Freight Expense incurred for shipping property aboard a U. S. Flag carrier (air or ship). If a freight forwarder is involved a statement (bill of lading ) is required disclosing that the shipment was in fact aboard a qualified U. S. carrier . Administration expenses, such as fees to Export Subsidy Services, Ltd. or basically any costs rightfully charged to an IC-DISC.**

In essence, 10% of the total Export Promotion Expenses may be added to the above CTI Figure of \$4,500, paid and deducted as a commission by the exporter.

**\*Packaging expense is only included as a qualified Export Promotion Expense in situations where the goods are purchased from third Party and then packaged by the Exporter, whereas it is part of Cost of Goods Sold, if it is part of the integrated manufacturing process by the related Supplier (Exporter).**

**Exporter Tax Savings-Our Only Business!**

800-243-1372

Export Subsidy Services, Ltd. 8132B Camino del sol La Jolla, CA 92037