

IC-DISC IMPLEMENTATION AND ANNUAL COMPLIANCE



The Interest-Charge Domestic International Sales Corporation (or IC-DISC) remains one of the only (and long-standing) export incentives under the U.S. tax code. It can create both long-term permanent and deferral benefits (depending on the scenario) and while seemingly easy to implement via an election, it comes with ongoing risk and the need for annual planning and maintenance.

Taxpayers have two critical junctures when pursuing this strategy: (1) the initial implementation and (2) the on-going annual compliance requirements and related administration.

IC-DISC IMPLEMENTATION AND ANNUAL COMPLIANCE

1 IC-DISC Implementation

Implementation Assessment

We will assist with the implementation and design of an IC-DISC structure to reduce federal income tax on qualifying export income, including entity formation, the IC-DISC election, and transfer pricing methodologies for pricing the commission payable by the exporter.

We will first collaborate with you to assess the eligibility and potential benefit of pursuing an IC-DISC arrangement, which includes the following: (a) Identifying and qualifying export revenue; (b) Reviewing the product mix and associated pricing; (c) Estimating the annual tax benefit from the use of the IC-DISC; and (d) Confirming the shareholder eligibility.

We will validate these findings through the production of a benefit assessment summary with a go/no-go recommendation based on our findings.

Implementation Assistance and Structuring of Methodology

Assuming we move forward with implementation after the assessment, we will assist with the following substantive areas related to the overall operation of the arrangement:

- We will review the structure of the IC-DISC arrangement based upon the client's facts including whether a commission or gross receipts method is most viable. We will also consider the overall ownership structure in light of the taxpayer, along

with payment timing considerations and cash flow mechanics.

- Our transfer pricing specialists will assist with the selection and assessment of the appropriate pricing methodology.
- We will coordinate entity formation with attorneys and prepare and file the IC-DISC election with the IRS. We will also work with you to establish appropriate accounting mechanics to track the export sales between the taxpayer and the IC-DISC.

The Deliverable will constitute our summary of findings but also a detailed listing of ongoing compliance requirements, commentary on annual IC-DISC dividend strategy and annual process for commission booking and settlement. This will all be documented in an implementation memorandum with a timeline and roadmap for easy processing.

Fees

IC-DISC Implementation and Annual Compliance fees are offered on a fixed fee basis, with three tiers of pricing based upon volume of export sales and transfer pricing profile. Please contact our team for more details.



IC-DISC IMPLEMENTATION AND ANNUAL COMPLIANCE

2 IC-DISC Annual Compliance & Administration

After initial set-up and election this recurring annual service adds real value because failure to comply with basic requirements can result in the termination of the election.

We perform the annual IC-DISC commission calculation and prepare the associated IC-DISC return (on Form 1120-IC-DISC). If any deferred interest charges are applicable, we compute these as well. Our ultimate annual summary memorandum provides an audit-ready file for review by the IRS.

Fees

IC-DISC Implementation and Annual Compliance fees are offered on a fixed fee basis, with three tiers of pricing based upon volume of export sales and transfer pricing profile. Please contact our team for more details.

To learn more about our IC-DISC Implementation and Annual Compliance Services, contact Scott Montopoli at smontopoli@kbfadvisory.com.

KBF is a rapidly growing professional services firm that offers a comprehensive range of tax, assurance and advisory services. KBF is a recognized leader in Accounting for Income Tax (ASC 740) and GAAP advisory services. KBF serves hundreds of public, private equity-owned and venture-backed companies, as well as select dynamic privately-held businesses.

"KBF" is the brand name under which KBF CPAs - Audit, LLP ("KBF Audit") and KBF Advisory, LLC ("KBF Advisory") provide professional services. KBF Audit and KBF Advisory practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. KBF Audit is a licensed independent CPA firm that provides attest services to its clients, and KBF Advisory provides tax and business consulting services to its clients. KBF Advisory is not a licensed CPA firm.