

### Opportunity for Maximizing IC-DISC Tax Benefits

An Interest Charge Domestic International Sales Corporation (IC-DISC) can offer significant tax benefits related to export sales. The annual tax benefit is driven by the calculation of IC-DISC commission using the higher result from either of two methods:

- > The 50 percent of combined taxable income method
- > The four percent of export sales method

The "Transaction by Transaction (T by T)" four percent of export sales method is an alternative to the commonly-used "50%" and "4%" methods and requires much more effort during the tax return preparation process, but it can yield significant additional tax benefits. The calculation requires the use of a sophisticated software programs that optimize IC-DISC commission by analyzing every export sale individually to determine the highest commission.

As with many tax savings techniques, there is some urgency to applying this approach because the current qualifying dividend rate for individuals of 15 percent will be increasing after 2010. Consequently, there are only eight months remaining that T by T calculations can be performed, and the additional IC-DISC dividends can be paid to take advantage of the lower rate on IC-DISC dividends. T by T calculations are not restricted to 2009 IC-DISC tax returns - amended returns for all open IC-DISC years can be filed.

Baker Tilly leverages industry-leading IC-DISC software and can help you meet the timeline in order to take advantage of applicable tax benefits. Contact your Baker Tilly tax advisor or send an e-mail to [tax@bakertilly.com](mailto:tax@bakertilly.com) for more information.

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Baker Tilly Tax Alerts provide you with timely updates about tax savings opportunities and changing regulations. Contact us at [tax@bakertilly.com](mailto:tax@bakertilly.com) with questions.