CASE STUDY 1:

**The following case study is a perfect example of one of the most common concerns our potential clients have – they don’t realize they’re even qualified for the program.**

A banker in Houston, TX referred us to one of their customers, believing that the customer in question might benefit from the IC-DISC program.

When the IC-DISC was suggested to him, the customer replied, “This sounds great, but we don’t export. We only have one location here in Houston and none of our customers are outside of the United States.”

After working with the client to take a more in-depth look at the inner workings of their company, we pinpointed two important details:

1. Nearly half their sales were to three Fortune 500 companies who maintained operations in Houston.
2. A significant portion of the company’s products that were sold to those Fortune 500 companies ultimately ended up outside of the United States.

Upon further research and analysis, the customer was shown that nearly a quarter of their total sales qualified as export sales, thanks to these indirect exports that went through their three large customers.

**Financial Impact of the IC-DISC**

*Without* the use of the IC-DISC program, the company’s financial situation was as follows (numbers rounded for convenience):

 Total Sales: $18 million

 Export Sales: $4 million

 Taxable Income: $1.5 million

The client’s company was an S-Corporation with only one shareholder, so all of the $1.5 million in taxable income would “flow-through” to the shareholder’s personal tax return, taxed mostly at the top personal federal tax rate of 39.6%. With this number rounded to 40% for convenience, his tax liability ended up being approximately $600,000.

Once we had worked with him to implement the IC-DISC program for his business, he was able to shift approximately $400,000 over to the DISC, lowering the tax rate from approximately 40% to about 20%.

As a result, his total tax liability dropped from $600,000 to $520,000, a reduction of $80,000 per year.

**Always Consider the Possibilities in the IC-DISC**

When we shared our analysis with the CPA firm, they were surprised by our findings. Although they had some familiarity with the IC-DISC, they were unaware both that their client had indirect exports and that indirect exports count as qualifying exports under the IC-DISC rules.

This is one typical example of why so many companies don’t realize that they could take advantage of these financial incentives for exporters – they don’t realize their company even counts as an “exporter” in the first place.

If your company is in a similar situation, it’s important to take a look at your potential qualifications for the IC-DISC, or to speak with an IC-DISC provider to learn more. Contact Export Advisors at (832) 654-9889 or [contact us online to become a client](https://www.exportadvisors.com/become-a-client).