



CASE STUDY

Client:
South East USA Private
Food Distributor

Industry:
Food Products Manufacturing
& Distribution

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Food distributor increases after tax cash benefits by 142%

Executive summary:

As a way to realize significant federal tax savings on their exported goods, our client took advantage of federal tax incentive called the Interest Charge – Domestic International Sales Corporation, or IC-DISC. Recognizing an opportunity for increased tax benefits, WTP Advisors applied a different approach in calculating these savings.

Approach:

When calculating IC-DISC, most accountants use a simple “no frills” calculation based on overall export sales and profit. In doing so, they overlook substantial additional cash tax benefits of an “invoice by invoice” calculation known as the Transactional method or TxT.

TxT calculates the maximum commission on each transaction using the best of 18 available calculation methods.

Validation:

To ensure both data integrity and IC-DISC acceptance of the results, WTP Advisors validated the calculations using their proprietary system, Exportal. A final report showed detailed reconciled results for audit purposes.

Results:

WTP's team generated a 141% increase over a traditional approach providing much needed cash in the current uncertain economic environment. They worked with our CPA's in a professional, seamless and timely manner.

IC DISC TAX SAVINGS COMPARISON

C Corporation	Without an IC-DISC	Traditional IC-DISC Non-TxT*	WTP Advisors Exportal TxT Calculation
Qualified Export Sales	596,600,000	596,600,000	596,600,000
Qualified Export COGS	562,200,000	562,200,000	562,200,000
Qualified Gross Margin	34,400,000	34,400,000	34,400,000
Qualified SG&A, Interest & R&D	27,600,000	27,600,000	24,500,000
Qualified Taxable Income (Loss)	6,800,000	6,800,000	9,900,000
IC-DISC Calculated Commission Expense		6,800,000	16,450,000
Tax Rate Savings (21% Rate Reduction)*		21%	21%
Tax Savings		1,428,000	3,454,500
TxT Additional Cash Saving Over Non TxT			2,026,500
TxT Percent Commission Increase over Non TxT			142%
* The TxT Methodology Used a Different Apportionment Base then the Traditional Approach Resulting In Additional Export Taxable Income			
* IC-DISC Non-TxT utilizing the IC-DISC Special No Loss Rule			
*The 21% is the savings related to the IC-DISC. There may be an inverse affect on the FDII Calculation			

WTP Advisors are experts in International Tax and Export Incentives (IC-DISC). With over 30+ years of experience, we help to make complex overseas transactions and investments manageable and transparent. Our in-depth and up-to date knowledge of international rules help clients craft competitive tax strategies and streamline and manage tax processes more effectively