



## CASE STUDY

**Client:**  
Private aircraft parts distributor

**Industry:**  
Aerospace,  
Distribution, Export

Contact:  
Jim Fyhrie, CPA  
Principle, CIO and Co-Founder

+1 (866) 298-7829 EXT 700  
jim.fyhrie@wtpadvisors.com

Brian Schwam  
National Managing Director –  
International Tax Services

+1 (866) 298-7829 EXT 701  
brian.schwam@wtpadvisors.com

wtpadvisors.com

### **Aircraft parts distributor increases after tax cash benefits by 263%**

#### **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 transactions that were vetted through data processing and

#### **Results:**

“As a mid-size aircraft parts and aerospace distributor we conducted IC-DISC on a traditional basis for years, but more than doubled our tax savings on a TxT basis, enabling far greater cash for operations”

- CFO

## IC DISC TAX SAVINGS COMPARISON

S Corporation	Without an IC-DISC	Traditional IC-DISC Non-TxT*	WTP Advisors Exportal TxT Calculation
Qualified Export Sales	43,000,000	43,000,000	43,000,000
Qualified Export COGS	41,000,000	41,000,000	41,000,000
Qualified Gross Margin	2,000,000	2,000,000	2,000,000
Qualified SG&A, Interest & R&D	2,200,000	2,200,000	2,200,000
Qualified Taxable Income (Loss)	-(200,000)	-(200,000)	-(200,000)
IC-DISC Calculated Commission Expense		770,000	2,800,000
Tax Rate Savings (6.7% Rate Reduction)*		6.70%	6.70%
Tax Savings (6.7% Rate Reduction)		change44,765	change162,687
<b>TxT Additional Cash Saving Over Non TxT</b>			<b>117,922</b>
<b>TxT Percent Commission Increase over Non TxT</b>			<b>263%</b>
* IC-DISC Non-TxT utilizing the IC-DISC Special No Loss Rule			
5.8% is typical rate spread. Actual tax rate savings dependent on individual tax return			

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