



# CASE STUDY: TAX EFFECTIVE ORGANIZATIONAL STRUCTURE

TECHNOLOGY CLIENT SAVES **\$50,000** THROUGH NEW TAX PROVISIONS

## *Asking the Hard Questions*

A closely-held technology client with significant international sales was not aware of recent tax provisions relieving tax liability on export sales. How could the new tax provisions save them money?

## *Giving Honest Answers*

After analyzing the available options, EKS&H recommend the establishment of a Domestic International Sales Corporation (DISC). The owners of the DISC would be recipients of distributions from the company – the greater of 4% of international sales dollars or 50% of foreign taxable income. As these distributions are taxed at the capital gains rate of 15%, rather than the ordinary income rate of 35%, the client could realize a 20% tax benefit on that portion of their income.

## *Providing Actionable Solutions*

EKS&H assisted the client in the establishment of the DISC, estimated to result in tax savings of \$50,000 in the first year. During our discussions with the client, we also determined that these distributions from the DISC provided an ideal way to incentivize their international sales manager. We assisted the company in establishing appropriate incentive amounts and implemented this structure.

**EKS&H**

Talk to an EKS&H Business Consultant today: **303.740.9400**

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