

## 4 International Tips for the Busy Tax Season

With the arrival of busy tax season, many accountants and other tax professionals will learn new information about how their companies operate and can often lead to planning opportunities. The following four tips will help companies reduce their taxes while becoming audit proof.

1. If a company either exports \$3 million of products or earns \$300,000 of income from exports, [that company should consider forming an IC-DISC](#). An IC-DISC converts ordinary income into qualified dividends for sellers of U.S.-manufactured products and, surprisingly, even architectural and engineering services. If the company already has an IC-DISC, you should make sure that the company follows the rules of the IRS to ensure that the company is entitled to all the tax benefits it is taking.
2. If the company is not able to credit all its foreign income taxes, perhaps [the company is not properly sourcing its income](#). Exports of U.S.-manufactured property normally result in U.S.-source income, but planning techniques exist to convert these sales to foreign-source income, which will maximize the foreign tax credit and lower the U.S. tax due. The IRS is watching – you should too!
3. Is a foreign company receiving payments from a U.S. company? If so, the U.S. company must obtain a Form W-8BEN-E that certifies foreign status. This complex form requires the foreign company to confirm exemption from withholding of both fixed, determinable, annual, or periodic income and withholdable payments under the Foreign Accounts Tax Compliance Act.
4. Is the company happy with the tax consequences of its choice of foreign entity? Under the check-the-box regime, a U.S. owner can change the form of a foreign entity (e.g., a corporation to a partnership/branch or vice-versa) by filing a Form 8832. Of course, there may be tax consequences when making such a change.

Our attorneys are available to help with these issues. If you have any questions, call Robert Misey, Chair of our International Tax Department at (414) 298-8135 or e-mail him at [rmisey@reinhartlaw.com](mailto:rmisey@reinhartlaw.com).

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