



## Legislative Revenue Option: Repeal IC-DISC

### *End tax loophole for small set of exporters*

#### Introduction

An IC-DISC entity (interest charge-domestic international sales corporation) is a non-operating company that exists for the sole purpose of reducing taxes as a way of incentivizing export sales. Sunsetting this bill would generate an additional \$14M in personal tax revenues per biennium at current levels.

#### History/Issues

This specific IC-DISC structure was created in 2013 as part of Governor Kitzhaber's Grand Bargain budget negotiation. The law allows a limited number of agricultural exporters to use this corporate tax shelter providing a 2.5% personal tax rate on a portion of export sales instead of the standard personal income tax rates topping out at 9.9%. To use this benefit, the IC-DISC corporation had to be formed prior to January 1, 2014.

The bill did not go through the normal legislative process avoiding the usual scrutiny by the legislature. Since the revenue loss was one of the smallest amounts in the Governor's Grand Bargain, it gathered little attention by the press or during the legislative debate. No hearings have been held since then. The bill did not include a sunset provision.

In 2022, each of the affected 250 personal income taxpayers saved on average \$24,000 in taxes, with 99% of these benefits going to taxpayers with incomes greater than \$100,000.

#### Recommendation/Justification

It is long since time for this tax loophole to be terminated. It was created more than a decade ago and has never had an up and down vote by the legislature on its own merits. The handful of beneficiaries have long since received tens of millions of dollars and never had to justify their lower tax payments.

The whole concept that an Oregon IC-DISC, formed before 2014, is necessary to promote exports lacks justification.

*We read the bills and follow the money*