

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 31xx.2013

Issue Date: , 2013

Domestic International Sales Corporations

Purpose	This Excise Tax Advisory (ETA) explains the Department's position regarding the business and occupation (B&O) taxation of Domestic International Sales Corporations (DISCs) after the adoption of Economic Nexus and Single Factor Receipts Apportionment, effective June 1, 2010. See WAC 458-20-19402.
What is a DISC?	A DISC is a wholly owned corporation of an exporter. The parent entity receives significant federal tax benefits by paying the DISC "commissions" and receiving dividends in the amount of the "commissions."
Tax classification	The "commissions" received by the DISC are subject to B&O tax under the service and other activities classification.
Attribution of receipts	<p>WAC 458-20-19402 (Rule 19402) explains how receipts subject to apportionment are attributed. The first step is to determine where the customer (in this case the Parent) receives the benefit of the service. The benefit of a service that relates to tangible personal property is received where the property is located or will be located. Rule 19402(303)(b). Rule 19402(304)(b) Example 13 states that when the service is commissioned sales, the benefit is received where the tangible personal property is delivered.</p> <p>In the case of a DISC, the tangible personal property is always delivered to a foreign location. Therefore, a DISC will not have any receipts attributed to Washington.</p>

To request this document in an alternate format, visit <http://dor.wa.gov> and click on "contact us" or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

General tax information is available on our website at dor.wa.gov.

Questions? Complete the online form at dor.wa.gov/communications or call 800-647-7706. If you want a binding ruling from the Department, complete the form at dor.wa.gov/rulings.