

# Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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## Domestic International Sales Corporations

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**Purpose** This Excise Tax Advisory (ETA) explains the Department's position regarding the business and occupation (B&O) tax on Domestic International Sales Corporations (DISCs) after the adoption of Economic Nexus and Single Factor Receipts Apportionment.

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**What is a DISC?** A DISC is a wholly owned corporation of an exporter (Parent). The DISC acts as a sales agent for the Parent's exports. The Parent receives significant federal tax benefits by paying the DISC "commissions" and receiving dividends in the amount of the "commissions."

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**Tax classification** The "commissions" received by the DISC are subject to service and other activities B&O tax.

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**Attribution of receipts** WAC 458-20-19402 (Rule 19402) explains how receipts subject to apportionment are attributed. The first step is 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 commission sales, the benefit is received where the tangible personal property is delivered.

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.

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