

## **U.S. Export Tax Incentives**

As a company with international operations, you may have an opportunity to significantly reduce your United States income tax liability. There is now a federal income tax exclusion for qualified foreign income called the **Extraterritorial Income Exclusion (EIE)**. This exclusion is designed to replace the Foreign Sales Corporation provisions and further encourage U.S. export.

Previously, to exclude a portion of income resulting from direct or indirect exports from federal taxable income, companies were required to form a Foreign Sales Corporation. Under these new rules that took effect on October 1, 2000 no separate company needs to be set up for the purpose of the exclusion. The only action that a qualifying company needs to take is to fill out the appropriate forms to get the exclusion. Qualifying companies are able to **exclude from taxable income either 1.2% of foreign trading gross receipts, 15% of foreign trade income or 30% of foreign sales or leasing income** depending on circumstances, so the savings can be quite significant.

**Best of all, the savings can be retroactive.** The EIE forms can be attached to either originally filed or amended tax returns.

In addition to helping the traditional exporter, the EIE may benefit companies with income from engineering or architectural services for construction projects located or proposed for location outside of the United States, companies with leasing or rental income from the lessee outside the United States as well software development companies that license software for foreign use. The EIE benefits may also apply even where your company is not a direct exporter and sells products domestically that are subsequently exported to the foreign countries by another exporter within a certain period of time.

If you would like to find out more about the **Extraterritorial Income Exclusion**, please give me a call at 404-898-7431 or send me an e-mail at [yelena.epova@hawcpa.com](mailto:yelena.epova@hawcpa.com).