



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

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P.O. Box 125, Columbia, South Carolina 29214-0575

SC REVENUE RULING #22-8

SUBJECT: Local Sales and Use Taxes and
Catawba Tribal Sales and Use Tax
(Sales and Use Tax)

EFFECTIVE DATE: For sales made on or after July 1, 2022

SUPERSEDES: SC Revenue Ruling #18-15 and all previous advisory opinions
and any oral directives in conflict herewith.

REFERENCES: Title 12, Chapter 36 of SC Code of Laws (2014, Supp. 2021)
Title 4, Chapter 10 of SC Code of Laws (2021)
Title 4, Chapter 37 of SC Code of Laws (2021)
Chapter 117 of SC Code of Regulations (2012, Supp. 2021)
School District and Other Local Sales and Use Tax Laws¹
Act No. 166, and Act No. 237, Section 4, of 2022

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
S.C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #09-3

SCOPE: The purpose of a Revenue Ruling is to provide guidance to the
public and to Department personnel. It is an advisory opinion
issued to apply principles of tax law to a set of facts or general
category of taxpayers. It is the Department's position until
superseded or modified by a change in statute, regulation, court
decision, or another Departmental advisory opinion.

I. PURPOSE OF ADVISORY OPINION UPDATE:

The purpose of this advisory opinion is to update Department guidance with respect to the criteria that must be met to require a retailer to remit a local jurisdiction's sales and use tax when delivering the product to a purchaser located in another local jurisdiction (e.g., counties, municipalities, school districts).

¹ Many school districts and other local sales and use tax laws have not been codified. For information as to the act number assigned to, and the year of enactment of, such local sales and use tax laws, see SC Information Letter #22-16. SC Information Letter #22-16 contains the most recently published information; updated information will be published in new information letters on the Department's website (dor.sc.gov) as warranted.

Specifically, this advisory opinion is updating the guidance found in SC Revenue Ruling #18-15 to reflect the following laws enacted by the General Assembly:

1. County Green Space Sales and Use Tax: The enactment of the County Green Space Sales Tax Act. A brief description of this new local sales and use tax is now listed in the “Types of Local Sales and Use Taxes” section of this Information Letter (Section III).
2. Maximum Tax – Watercraft Motors: Code Section 12-36-2110(A), concerning the sales of items subject to a maximum sales and use tax and maximum casual excise tax, has been amended to add watercraft motors. The sales of watercraft motors, effective July 1, 2022, are subject to the sales and use tax and the casual excise tax at a rate of 5%, but no more than \$500. With this amendment, sales of watercraft motors are exempt, effective July 1, 2022, from all local sales and use taxes administered and collected by the Department. The references in this advisory opinion to the most recently published information letter that provides a chart with the various types of local sales and use taxes collected by the Department and the exemptions allowed under each tax have been updated.
3. Notification of Referendum: In recent years, the General Assembly, through a budget proviso, has required that “[a] county or municipal election commission must notify the Department of Revenue sixty days prior to a referendum on the imposition of a local sales tax ...” (Question #36).

II. INTRODUCTION:

The South Carolina Code of Laws allows the imposition of various types of local sales and use taxes. Citizens of a county, depending upon the needs within the county, may impose one or several local sales and use taxes. Municipal councils, or the citizens of a municipality, may impose a sales and use tax² for tourism development if the municipality is located in a county where revenue from state accommodations tax is at least \$14 million in a fiscal year.

The Department publishes a chart with the various types of local sales and use taxes collected by the Department and the exemptions allowed under each tax. As of the date of this document, SC Information Letter #22-16 contains the most recently published information; updated information will be published in new information letters on the Department’s website (dor.sc.gov) as warranted.

Most local taxes administered and collected by the Department on behalf of local jurisdictions are administered and collected on a county-wide basis. However, the Catawba Tribal Sales and Use Tax is only imposed on the Catawba Indian Reservation and the Tourism Development Fee is only imposed on a municipal-wide basis. The

² This municipal sales and use tax is actually a fee (Local Option Tourism Development Fee) imposed under Article 9 of Chapter 10 of Title 4. For purposes of simplicity, this fee will be referred to as a sales and use tax in this revenue ruling.

criteria discussed in this advisory opinion, unless otherwise indicated in legislation enacted by the General Assembly, will also apply to any future sales and use taxes administered and collected by the Department on behalf of a jurisdiction on a county-wide, municipal-wide, or other basis as established by the General Assembly.

Note: This advisory opinion addresses only the general local sales and use taxes collected by the Department on behalf of local jurisdictions (e.g., counties, municipalities, school districts) and the tribal sales tax collected by the Department on behalf of the Catawba Indian tribal government.³ It does not address the local taxes on sales of accommodations or on sales of prepared meals that are collected directly by the counties.

III. TYPES OF LOCAL SALES AND USE TAXES:

The following is a list of local sales and use taxes⁴ that the General Assembly has authorized the Department to administer and collect on behalf of local jurisdictions that may enact one or more of these local sales and use taxes.

Local Option: The local option sales and use tax is authorized under Code Section 4-10-10 et seq. This tax is a general sales and use tax on all sales at retail (with certain exemptions and exclusions) taxable under the state sales and use tax. This tax is imposed to reduce the property tax burden on persons in the counties that impose this type of local tax and is collected by the Department on behalf of these counties.

Capital Projects: The local capital projects sales and use tax is authorized under Code Section 4-10-300 et seq. This tax is a general sales and use tax on all sales at retail (with certain exemptions and exclusions) taxable under the state sales and use tax. This tax is imposed specifically to defray the debt service on bonds issued for various capital projects in the counties that impose this type of local tax and is collected by the Department on behalf of these counties.

Transportation: The local transportation projects sales and use tax is authorized under Code Section 4-37-30 et seq. This tax is a general sales and use tax on all sales at retail (with certain exemptions and exclusions) taxable under the state sales and use tax. This tax is imposed specifically to defray the debt service on bonds issued for various transportation projects in the counties that impose this type of local tax and is collected by the Department on behalf of these counties.

County Green Space Tax: The county green space sales and use tax is authorized under Code Section 4-10-1010 et seq. This tax is a general sales and use tax on all sales at retail (with certain exemptions and exclusions) taxable under the state sales and use tax. This tax is imposed specifically for procuring, or for servicing bonds used to procure, open

³ The tribal use tax is collected directly by the Catawba Indian tribal government.

⁴ The General Assembly may authorize other local sales and use taxes in the future. Unless such legislation states otherwise, any such new local sales and use tax will be administered and collected in the same manner as the taxes listed in this advisory opinion. In addition, the Catawba Indian Tribal Sales Tax is not a local tax; however, it is administered and collected by the Department in a similar manner and is therefore included on this list.

lands, or green space for preservation by and through the acquisition of interests in real property. The interest in real property that may be acquired for preservation includes the acquisition of fee simple titles, conservation easements, development rights, rights of first refusal, options, leases with options to purchase, and any other interest in real property.

Education Capital Improvement Tax: The school district or school districts within a county may impose a 1% sales and use tax within the county for specific education capital improvements for the school district. The tax is authorized under Code Section 4-10-410 et seq. and must be approved by a referendum open to all qualified electors residing in the county. Pursuant to a memorandum of agreement, a portion of the revenue may be shared with the area commission (governing body of a technical college) or higher education board of trustees (governing body of a public institution of higher learning) or both, for specific education capital improvements on the campus of the recipient located in the county listed in the referendum.

The General Assembly has established several criteria that make a county or school district eligible to impose this tax. The county or school district must meet only one of these criteria, established in Code Section 4-10-470, in order for the tax to be imposed within the county. Depending on the criteria met, this tax may be imposed for up to 15 years.

School District Taxes: The General Assembly has authorized certain school districts to impose a sales and use tax within the county. These taxes are generally imposed to pay debt service on general obligation bonds and/or the cost of capital improvements. These taxes are imposed countywide, whether imposed by the county or one or more school districts.

Catawba Indian Tribal Tax: The application of either the state sales and use tax or the Catawba Tribal sales and use tax for sales (deliveries) made on the Catawba Indian Reservation are determined by the Catawba Indian Claims Settlement Act. The specific sales and use tax provisions can be found in Code Section 27-16-130(H). The Catawba Indian Reservation is located in Lancaster and York counties. The sales tax is administered and collected by the Department. The use tax is administered and collected by the Catawba Indian tribal government.

Tourism Development Tax: The local tourism development sales and use tax is authorized under Code Section 4-10-910 et seq. This tax is a general sales and use tax on all sales at retail (with a few exceptions) taxable under the state sales and use tax and may only be imposed by a municipality located in a county where revenue from the state accommodations tax is at least \$14 million in a fiscal year. This tax may be imposed by an ordinance adopted by a two-thirds majority of the municipal council or by approval by a majority of qualified electors voting in a referendum authorized by a majority of the municipal council. The tax is imposed specifically for tourism advertisement and promotion directed at nonresidents of South Carolina; however, in the third and subsequent years of this tax, a portion of the tax may be used for certain property tax rollbacks.

Personal Property Tax Relief: The personal property tax relief sales and use tax is authorized under Code Section 4-10-510 et seq. This tax is a general sales and use tax on all sales at retail (with certain exemptions and exclusions) taxable under the state sales and use tax. This tax is imposed in lieu of the personal property tax imposed on private passenger motor vehicles, motorcycles, general aviation aircraft, boats, and boat motors.

The tax may not exceed the lesser of 2% or the amount necessary to replace the property tax on vehicles, motorcycles, general aviation aircraft, boats, and boat motors in the most recently completed fiscal year.

Local Property Tax Credits: The local option sales and use tax for local property tax credits is authorized under Code Section 4-10-720 et seq. This tax is a general sales and use tax on all sales at retail (with certain exemptions and exclusions) taxable under the state sales and use tax. This tax is imposed to provide a credit against property tax imposed by a political subdivision for all classes of property subject to the property tax and is collected by the Department on behalf of these counties.

IV. RETAILER'S RESPONSIBILITY TO REMIT LOCAL SALES AND USE TAXES:

On June 21, 2018, the United States Supreme Court in *South Dakota v. Wayfair, Inc.*, 585 U.S. ___, 138 S. Ct. 2080 (2018), ruled that retailers (including online retailers) without physical presence in a state may be subject to sales and use tax. This decision overturned the Court's longstanding position in *Quill Corp. v. North Dakota*, 504 U.S. 298 (1992) and *National Bellas Hess, Inc. v. Department of Revenue of Illinois*, 386 U.S. 753 (1967), which only allowed states to collect sales and use tax on retailers with a physical presence.

It is the Department's position that once a retailer has established nexus with South Carolina for sales and use tax purposes, the retailer has nexus for sales and use tax purposes with every local jurisdiction in the state for which the Department administers and collects a local sales and use tax. As such, the retailer must remit local sales and use taxes for any local jurisdiction into which deliveries are made by, or on behalf of, the retailer.

Nexus is a sufficient connection between a person and a state, and a sufficient connection between an activity, property, or transaction to its taxing jurisdiction. Nexus can be established by physical presence or by meeting a certain level of economic activity within South Carolina.⁵

Physical presence can be established by a retailer maintaining a place of business in South Carolina. This includes any retailer having or maintaining, directly or by a subsidiary, an office, distribution house, sales house, warehouse or other place of

⁵ In accordance with Code Section 12-36-70 and the principles of *Wayfair*, a remote seller whose gross revenue from sales delivered into South Carolina exceeds \$100,000 in the previous calendar year or the current calendar year has economic nexus (i.e., substantial nexus) with South Carolina and is responsible for obtaining a retail license and remitting South Carolina sales and use tax.

business, or any agent operating within South Carolina under the authority of the retailer or its subsidiary, regardless of whether the business or agent is located here permanently or temporarily or whether the retailer or subsidiary is admitted to do business in South Carolina.

Economic presence is established when an out-of-state retailer has gross revenue from sales delivered into South Carolina which exceed \$100,000 in the previous calendar year or the current calendar year. For information on economic nexus standards in South Carolina for out-of-state retailers, see SC Revenue Ruling #18-14.

V. QUESTIONS & ANSWERS CONCERNING LOCAL SALES AND USE TAXES:

In-State Retailers – Remittance and Reporting Requirements:

1. Q. When must an in-state retailer collect a jurisdiction's local sales and use tax and how must the in-state retailer report sales for purposes of local sales and use taxes?
 - A. An in-state retailer must collect and remit to the Department local sales or use tax for each local jurisdiction where its products are delivered.

The retailer must report local sales or use tax by jurisdiction of delivery on Form ST-389, which is to be attached to the appropriate sales and use tax return, or through one of the Department's electronic filing and payment systems. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

Out-of-State Retailers – Remittance and Reporting Requirements:

2. Q. When must an out-of-state retailer collect and remit a jurisdiction's local sales and use tax, and how must the out-of-state retailer report sales for purposes of local sales and use taxes?
 - A. An out-of-state retailer who has nexus with South Carolina must collect and remit to the Department local sales and use tax for each local jurisdiction where its products are delivered.

The retailer must report local sales or use tax by jurisdiction of delivery on Form ST-389, which is to be attached to the appropriate sales and use tax return, or through one of the Department's electronic filing and payment systems. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

Voluntary Collection of State and Local Tax:

3. Q. Must a retailer who has voluntarily registered with the Department (i.e., a retailer who does not have either physical or economic nexus, but has obtained a retail license) collect and remit both the State and local sales and use tax to the Department?
- A. Yes. A retailer who voluntarily registers with the Department (i.e., a retailer who does not have either physical or economic nexus, but has obtained a retail license) must collect and remit to the Department both State sales and use tax and local sales and use tax for each jurisdiction where its products are delivered.

Purchasers - Reporting Requirements:

4. Q. The liability for a local use tax, as with the state use tax, is on the purchaser. However, the retailer is required to collect the sales and use tax from the purchaser and to remit the local sales and use tax to the Department if it meets the nexus standards outlined in Section IV above. See also Questions #1 through #3 above for information as to when a retailer is required to remit a local jurisdiction tax for tangible personal property delivered in or into a local tax jurisdiction. If the retailer does not collect the local use tax from the purchaser, then the purchaser must pay the tax directly to the Department on his return.

In those situations where the retailer does not collect the local use tax, how is the purchaser to report the tax?

Purchases of tangible personal property (not for resale) first stored, used or consumed in a local tax jurisdiction are subject to the local use tax. Such purchases are to be reported by county and/or municipality where the property is first stored, used, or consumed using the applicable form (e.g., ST-389, UT-3) or through one of the Department's electronic filing and payment systems.

Business or Nonprofit – Licensed Retailer: A business or nonprofit organization that is a **licensed retailer** and that purchases tangible personal property for its own use (i.e., not for resale) should report and remit the local use tax on Form ST-389, which is to be attached to the appropriate sales and use tax return, or through one of the Department's electronic filing and payment systems.

Note: The purchaser is not liable for a jurisdiction's local use tax if he takes delivery in another jurisdiction and pays the other jurisdiction's local sales tax, provided the local sales tax he paid is equal to or greater than the local use tax that would otherwise be due. If the local sales tax he paid is less than the local use tax, then the purchaser owes the difference. Also, the purchaser is relieved of the liability for the local use tax if he has a receipt from a retailer showing the retailer has collected the full local use tax due.

Business or Nonprofit – Not a Licensed Retailer: A business or nonprofit organization that is **not** a licensed retailer and that purchases tangible personal property for its own use (i.e., not for resale) can report the State and local tax as provided below, based upon the frequency of its out-of-state purchases:

(1) For a purchaser who is not a licensed retailer and who does **not** regularly purchase property for its own use from an out-of-state retailer: Use Form UT-3, “Use Tax Payment Return” to report and remit South Carolina use tax due on a specific purchase for its own use or the total of all purchases for its own use made in one month, a calendar quarter, or during the calendar year.

(2) For a purchaser who is not a licensed retailer and who **regularly** purchases property for its own use from an out-of-state retailer: (a) obtain a purchaser’s certificate of registration; and (b) file and make payment using the applicable form (e.g., ST-3, ST-389) or through one of the Department’s electronic filing and payment systems.

Note: A purchaser’s certificate of registration for remitting use tax on a periodic basis may be obtained free of charge by completing Form SCDOR-111, “South Carolina Department of Revenue Tax Registration Application.”

Individual: An individual can report and remit the State and local use tax in the following ways:

(1) Using Form SC 1040, “South Carolina Individual Income Tax Return.” An individual may report his South Carolina use tax due on purchases made during the year on his individual income tax return when filed.

(2) Using Form SC UT-3, “Use Tax Payment Return.” An individual may report South Carolina use tax due on a specific purchase or the total of all purchases made in one month, a calendar quarter, or during the calendar year on a use tax return. This method is used by an individual who does not have a South Carolina individual income tax filing requirement for the year, such as a retiree or student.

Artists, Craftsmen & Transient or Temporary Retailers:

5. Q. How are “artists and craftsmen” licensed under Code Section 12-36-510(A)(2) and “transient or temporary” retailers licensed under Code Section 12-36-510(A)(3) to report their sales?
 - A. Such retailers are to report their sales on Form ST-389 or through one of the Department’s electronic filing and payment systems by jurisdiction where delivery is made. (See Questions #1 and #2.) Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department’s electronic filing and payment systems.

Withdrawals for Use:

6. Q. Code Section 12-36-110(c) defines “retail sale” to include “the withdrawal, use, or consumption of tangible personal property by anyone who purchases it at wholesale.” How are such “retail sales” to be reported?
 - A. These retail sales are to be reported on Form ST-389 or through one of the Department’s electronic filing and payment systems by jurisdiction where the property is first withdrawn, used, or consumed. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department’s electronic filing and payment systems.

For additional information about the taxation of “withdrawals for use,” see SC Revenue Ruling #08-11.

Sales Made via Outside Salesmen:

7. Q. How are in-state retailers to report sales made as a result of orders taken by outside salesmen?
 - A. Such retailers are to report their sales on Form ST-389 or through one of the Department’s electronic filing and payment systems by jurisdiction where delivery is made. (See Questions #1 and #2.) Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department’s electronic filing and payment systems.
8. Q. How are in-state retailers to report sales made by outside salesmen who, at the time of taking the order, also deliver the merchandise to the customer?
 - A. Such retailers are to report their sales on Form ST-389 or through one of the Department’s electronic filing and payment systems by jurisdiction where delivery is made. (See Questions #1 and #2.) Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department’s electronic filing and payment systems.
9. Q. How are out-of-state retailers who solicit orders via salesmen in South Carolina to report their sales?
 - A. Such retailers are to report their sales on Form ST-389 or through one of the Department’s electronic filing and payment systems by jurisdiction where delivery is made. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax

must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

If the property is delivered into a local tax jurisdiction, then the sale is subject to the local sales and use tax. If the property is delivered into a jurisdiction that has not imposed a local tax, then a local sales and use tax is not due. (See Questions #1 and #2.)

“Direct Pay” Certificates:

10. Q. What effect, if any, does the use of a “direct pay” exemption certificate (Code Section 12-36-2510) have on the reporting of a local sales and use tax?
- A. By using a so-called “direct pay” certificate, a taxpayer can make all purchases tax free and must pay any taxes due directly to the Department. The taxpayer is liable for any taxes due and the tax (sales or use) is due upon the property being “withdrawn, used, or consumed by the taxpayer.” For purposes of a local sales and use tax, such withdrawals, use or consumption are reportable on Form ST-389 or through one of the Department's electronic filing and payment systems by jurisdiction where the property is first withdrawn, used or consumed. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.
11. Q. For those taxpayers who use a “direct pay” certificate, what is the effect on a local sales and use tax if the property is merely transferred from one locale to another? By "transferred," it is meant the property is not withdrawn from inventory for use or consumption, but is merely moved from one location to another.
- A. Merely transferring property from one locale to another does not trigger the tax. The tax is due when the property is withdrawn, used or consumed by the taxpayer and such withdrawal, use or consumption is reportable on Form ST-389 or through one of the Department's electronic filing and payment systems by jurisdiction where first withdrawn, used or consumed. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

“Limited” Exemption Certificates:

12. Q. What effect, if any, does use of a “limited” exemption certificate have on the reporting of a local sales and use tax?
- A. Unlike a “direct pay” certificate, which allows the holder to make all purchases free of the tax, a so-called “limited” exemption certificate only allows specific items, which are exempt under Code Section 12-36-2120, to be purchased tax-free.

If the holder of the limited exemption certificate purchases an item which falls within an exemption provided by Code Section 12-36-2120, then the purchase is exempt from the state tax and the local sales and use tax.

However, if the holder uses the certificate to purchase an item not exempt under Code Section 12-36-2120, then the holder of the certificate is liable for any tax due upon the property being withdrawn, used, or consumed. For purposes of a local sales and use tax, such withdrawals, use or consumption are reportable on Form ST-389 or through one of the Department's electronic filing and payment systems by jurisdiction where the property is first withdrawn, used or consumed. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

Transactions Not Subject to the Local Sales and Use Taxes:

13. Q. Are there any transactions which are not subject to the local sales and use taxes?

A. Yes.

The Department publishes a chart with the various types of local sales and use taxes collected by the Department and the exemptions allowed under each tax. As of the date of this document, SC Information Letter #22-16 contains the most recently published information; updated information will be published in new information letters on the Department's website (dor.sc.gov) as warranted.

Construction Contracts:

14. Q. How does a local sales and use tax apply to construction contracts?

A. Each local sales and use tax provides that “[t]he gross proceeds of sales of tangible personal property delivered after the imposition date of the [local sales and use] tax levied ... in a [jurisdiction], either under the terms of a construction contract executed before the imposition date, or a written bid submitted before the imposition date culminating in a construction contract entered into before or after the imposition date are exempt from the local sales and use tax...provided a verified copy of the contract is filed with the South Carolina Department within six months after the imposition of the local option sales and use tax.”

To apply for the above exemption, use Form ST-10C.

Local Sales Tax:

For those transactions which are not exempt under the above provisions, the local sales tax is reportable by the contractor's supplier by the local jurisdiction where the tangible personal property is delivered.

Local Use Tax:

For those transactions which are not exempt under the above provisions, the local use tax is reportable on Form ST-389 or through one of the Department's electronic filing and payment systems by jurisdiction where the property is first stored, used, or consumed. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

The liability for a local use tax, as with the state use tax, is on the contractor. However, the supplier is required to collect the sales and use tax from the contractor and to remit the local sales and use tax to the Department if it meets certain nexus standards as outlined in Section III above. See also Questions #1 through #3 above for information as to when a supplier is required to remit a local jurisdiction tax for tangible personal property delivered in or into a local tax jurisdiction. If the supplier does not collect the local use tax from the contractor, then the contractor must pay the tax directly to the Department on his return.

Note: The contractor is not liable for a jurisdiction's local use tax if he takes delivery in another jurisdiction and pays the other jurisdiction's local sales tax, provided the local sales tax he paid is equal to or greater than the local use tax that would otherwise be due. If the local sales tax he paid is less than the local use tax, then the contractor owes the difference. Also, the contractor is relieved of the liability for the local use tax if he has a receipt from a supplier showing the supplier has collected the full local use tax due.

15. Q. Code Section 12-36-110(1)(d) includes in the definition of "retail sale" "the use within this State of tangible personal property by its manufacturer as building materials in the performance of a construction contract."

How are such businesses, which are generally referred to as "manufacturer/contractors," to report these "retail sales"?

- A. "Manufacturer/contractors" are to report the local sales or use tax on Form ST-389 or through one of the Department's electronic filing and payment systems by jurisdiction where the property is used or consumed - the location of the construction site. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

Vending Machine Operators:

16. Q. How are businesses that make sales from vending machines to report their sales?

A. Local Sales Tax:

Items to be sold from vending machines, except for cigarettes and soft drinks in closed containers, purchased from suppliers and subject to the local sales tax when delivered to the vending machine operator in or into a local tax jurisdiction are the liability of the vending machine operator's supplier. The supplier must account for these sales on Form ST-389 or through one of the Department's electronic filing and payment systems by the jurisdiction where the property is delivered to the vending machine operator. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

Sales of cigarettes and soft drinks in closed containers are subject to a local sales tax upon being sold from the vending machines, if the machines are located in a local tax jurisdiction. The liability for the tax is on the vending machine operator and he is to account for such sales on Form ST-389 or through one of the Department's electronic filing and payment systems by jurisdiction in which the vending machines are located. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

Local Use Tax:

Items to be sold from vending machines, except for cigarettes and soft drinks in closed containers, which are purchased from suppliers and subject to the local use tax are the liability of the vending machine operator. However, the supplier is required to collect the sales and use tax from the vending machine operator and to remit the local sales and use tax to the Department if it meets certain nexus standards as outlined in Section III above. (See also Questions #1 through #3 above for information as to when a supplier is required to remit a local jurisdiction tax for tangible personal property delivered in or into a local tax jurisdiction.)

Note: The vending machine operator is not liable for a jurisdiction's local use tax if he takes delivery in another jurisdiction and pays the other jurisdiction's local sales tax, provided the local sales tax he paid is equal to or greater than the local use tax that would otherwise be due. If the local sales tax he paid is less than the local use tax, then the vending machine operator owes the difference. Also, the vending machine operator is relieved of the liability for the local use tax if he has a receipt from a supplier showing the supplier has collected the full local use tax due.

If the supplier (whether in-state or out-of-state) does not collect the local tax from the vending machine operator (who is liable for the local use tax), or the local sales tax is not paid, then the vending machine operator is to pay the tax directly to the Department on his return.

Purchases by the vending machine operator of cigarettes and soft drinks in closed containers for sale from vending machines are not subject to the local use tax. The local sales tax is due upon such items being sold from machines located in a local tax jurisdiction. The liability for the local sales tax is on the vending machine operator. Again, such sales are to be accounted for on Form ST-389 or through one of the Department's electronic filing and payment systems by jurisdiction where the machines are located. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

Utilities:

17. Q. How are utilities to report the local sales or use tax?

A. Utilities must report sales by the jurisdiction in which consumption of the tangible personal property occurs. In other words, utilities are to report their sales on Form ST-389 or through one of the Department's electronic filing and payment systems by jurisdiction where their customers are located. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department's electronic filing and payment systems.

18. Q. For purposes of Question #17, what is a "utility"?

A. A "utility" for the purposes of this advisory opinion is an entity which sells products or services subject to the state sales and use tax and transmits or delivers its products or services via electronic transmissions or pipelines (i.e., electric and gas companies, telephone companies, cable TV companies, satellite TV or radio companies, and other communications companies).

Note: Entities which sell water via pipelines to the public are also "utilities;" however, their sales are exempt from the state sales and use tax and all local sales and use taxes administered and collected by the Department.

Businesses Which Bill on a Monthly Basis:

19. Q. For those taxpayers who sell and bill their services on a monthly basis (e.g., electric utilities and cable TV companies), when are they to begin reporting the local sales or use tax?

- A. Taxpayers who sell and bill their services on a monthly basis (e.g., electric utilities and cable TV companies) must report the local tax beginning on the first day of the billing period beginning on or after the date of general imposition. The phrase “date of general imposition” means the date the local sales and use tax becomes effective in a particular jurisdiction.

For example, if an electric power company has a billing period ending May 10, 2022, the first “billing cycle” subject to a local sales and use tax that became effective on May 1, 2022 would be the period beginning May 11, 2022. The period May 1st through May 10th would not be subject to the local sales and use tax.

Leases:

20. Q. If tangible personal property is leased prior to the imposition date of a local sales and use tax in a local tax jurisdiction and the lease period extends beyond the imposition date, does the local sales or use tax apply to those lease payments made after the imposition date?

- A. No. The local sales or use tax would not apply to those lease payments made after the imposition date on leases entered into before the imposition date of a local sales and use tax. However, if the lease has an optional renewal provision and the lessee renews the lease under this option after the imposition date of the local sales and use tax, then the local sales and use tax would apply to those lease payments made after the renewal.

Note: For more information concerning leases, see SC Revenue Ruling #91-9.

Installment Sales:

21. Q. Code Section 12-36-2560, which concerns sales made on an installment basis, allows a retailer to elect “to include in the return only the portion of the sales price actually received by the retailer during the taxable period or to include the entire sales price in the return for the taxable period during which the sale was consummated.”

If the retailer has elected to pay the tax as payments are received, are payments received after the imposition date of the local sales and use tax subject to the local sales or use tax?

- A. For sales made after the imposition date, the local sales or use tax applies to all payments received. For sales made before the imposition date, the local sales or use tax would not apply.

See Questions #1 - #4 above for reporting requirements of retailers and purchasers.

Accommodations:

22. Q. Does a local sales tax apply to charges for accommodations? See Code Section 12-36-920(A).

A. Yes. A local sales tax applies to charges for accommodations.

Note: Since the sales tax is imposed on “accommodations furnished,” the local sales tax on accommodations applies to accommodations furnished on or after the imposition date of the local sales tax, regardless of when the reservation and/or payment was made. For example, if a local sales tax is imposed effective May 1, 2022, the local sales tax on accommodations applies to accommodations furnished on or after May 1, 2022, even if the guest reserved and/or paid for the accommodations prior to May 1, 2022.

23. Q. Does a local sales tax apply to “additional guest charges,” as defined at Code Section 12-36-920(B)?

A. Yes. A local sales tax applies to charges for “additional guest charges.”

24. Q. How are taxpayers who are subject to the sales tax on accommodations and “additional guest charges” to report a local sales tax if they own or manage rental units in different counties or municipalities?

A. Taxpayers who are subject to the sales tax on accommodations and “additional guest charges” must report separately in their sales tax returns the total gross proceeds from business done in each jurisdiction, using Form ST-389 or one of the Department’s electronic filing and payment systems. Information as to which type of local sales and use tax must be reported by county and municipality and which type of local sales and use tax must be reported only by county or only by municipality can be found on Form ST-389 and the Department’s electronic filing and payment systems.

Note: For more detailed information as to the application of the state and local sales taxes to accommodations and “additional guest charges,” see SC Regulation 117-307 and SC Revenue Ruling #14-5.

Credit for Sales and Use Taxes Paid in Another State:

25. Q. May credit be taken against the local use tax for sales and use tax due and paid in another state?

A. Yes. Credit may be taken against the local use tax for sales and use tax due and paid in another state, as provided below:

- (1) If the total tax due and paid in another state (state plus local) is less than state and local tax due in a South Carolina jurisdiction which has imposed one or more local taxes, then the use tax owed in South Carolina is to be allocated to the State and to the jurisdiction.

Example: Assume another state has a 5% state tax and a 1% local tax. A taxpayer makes a purchase in that state with a sales price of \$1,000, upon which the 6% tax was due and paid. The taxpayer stores, uses or consumes the property in a South Carolina jurisdiction which has imposed a 1% use tax. As such, the total tax rate in South Carolina is 7% (6% state plus 1% local). The difference owed in South Carolina (1%) is to be allocated as follows -

State portion = $6/7$ times 1% times \$1,000 =	\$ 8.57
Local portion = $1/7$ times 1% times \$1,000 =	<u>1.43</u>
Total due	\$ 10.00

- (2) If the total sales and use taxes due and paid in another state (state plus local) is equal to or greater than the state and local tax due in a South Carolina jurisdiction, no tax will be due in South Carolina (either state or local).
- (3) If the property is stored, used, or consumed in a South Carolina county which has not imposed a sales and use tax, credit will be allowed against the state use tax up to the amount of state and local taxes due and paid in the other state.

Note: If the purchaser takes delivery of tangible personal property in a local tax jurisdiction and pays that jurisdiction's local sales tax to the retailer, the purchaser is not liable for the local use tax if the property is first stored, used or consumed in another local tax jurisdiction, provided the local sales tax he paid is equal to or greater than the local use tax that would otherwise be due. If the local sales tax he paid is less than the local use tax, then the purchaser owes the difference. Also, the purchaser is relieved of the liability for the local use tax if he has a receipt from a retailer showing the retailer has collected the full local use tax due.

Refunds of State & Local Sales and Use Taxes:

- 26 Q. If a retailer pays taxes which should not have been paid, who is entitled to a refund - the retailer or the purchaser?
- A. Sale Involving State Sales Tax and Local Sales Tax: If a retailer delivers property in or into a local tax county, the retailer may receive a refund for the state sales tax and the local sales tax, if the tax should not have been paid.

Sales Involving State Sales Tax and Local Use Tax: If a retailer has property delivered into a local tax jurisdiction, the retailer may receive a refund for the state sales tax, if the tax should not have been paid. The retailer may not, however, receive a refund for the local use tax.

The purchaser is the taxpayer for purposes of the local use tax and is, therefore, the only one entitled to the refund for the local use tax. To receive the refund, the purchaser must have documentation showing he has paid the local use tax to the retailer.

Sales Involving State Use Tax and Local Use Tax: If a retailer has property delivered into a local tax jurisdiction, the retailer may not receive a refund for the state use tax or the local jurisdiction use tax, if the tax should not have been paid.

The purchaser is the taxpayer for purposes of the state use tax and the local jurisdiction use tax and is, therefore, the only one entitled to the refund for the state and local use taxes. To receive the refund, the purchaser must have documentation showing he has paid the state and local use taxes to the retailer.

Exceptions: See Code Section 12-60-470(C) for information as to (1) the authority of a retailer to assign the right to a refund of the state sales tax or the local sales tax to the purchaser and (2) the authority of a retailer to claim a refund of the state use tax and the local use tax when (a) the retailer can establish the use tax has been repaid to the purchaser (from whom the use tax was collected) or (b) the retailer has obtained the written consent of the purchaser (from whom the use tax was collected) that allows the retailer to claim the refund of the state use tax and the local use tax. Note: See SC Revenue Procedure #21-1, "Assigning the Right to, and Filing a Claim For, Refund."

How to Request a Refund: Taxpayers who are requesting to a refund of the state or local sales and use tax may send a letter to:

South Carolina Department of Revenue
Sales Tax Refund Request
P.O. Box 125
Columbia, S.C. 29214-0840

This letter must contain the following information as required by Code Section 12-60-470:

- (1) the name, address, and telephone number of the taxpayer;
- (2) the appropriate taxpayer identification number or numbers;
- (3) the tax period or date for which the tax was paid;
- (4) the nature and kind of tax paid;
- (5) the amount which the taxpayer claims was erroneously paid;
- (6) a statement of facts supporting the taxpayer's position;

- (7) a statement outlining the reasons for the claim, including law or other authority upon which the taxpayer relies; and
- (8) a schedule showing (by month) a breakdown by county and municipality where the tax was originally reported. This schedule must also show the type of tax (sales or use) and amount to be refunded.

The Department may also require other relevant information depending on the facts and circumstances.

All refunds are subject to verification by audit, either before or after issuance.

How Taxes Should Be Shown On Billings To Customers:

27. Q. Are retailers required to show the state tax and the local tax separate from the sales price on billings to their customers?
- A. Both the state and local sales taxes are the liability of the retailer. Code Section 12-36-940 allows, but does not require, the retailer to include in the sales price the amount of the sales tax.

The state and local use taxes are the liability of the purchaser. Code Section 12-36-1350 requires the retailer to “collect the use tax from the purchaser and give to the purchaser a receipt showing the amount subject to the tax and the amount of tax collected.”

Sales Involving State Sales Tax and Local Sales Tax: A retailer making deliveries in or into a local tax county is not required to separately show either the state sales tax or the local sales tax from the sales price on billings to a customer. The retailer, however, does have the option under Code Section 12-36-940 to separately show the state sales tax and the local sales tax from the sales price.

Sales Involving State Sales Tax and Local Use Tax: A retailer that ships into a local tax jurisdiction is not required to separately show the state sales tax from the sales price. The retailer, however, does have the option under Code Section 12-36-940 to separately show the state sales tax from the sales price.

However, in collecting the local use tax, the retailer is required to separately show the local use tax from the sales price on billings to a customer.

Sales Involving State Use Tax and Local Use Tax: A retailer that ships into a local tax jurisdiction is required to separately show the state use tax and the local use tax from the sales price on billings to a customer. The retailer is not required to separate the two taxes. The retailer may just show a combined South Carolina tax was collected.

Special Rules for the Catawba Indian Reservation and the Catawba Tribal Sales and Use Tax:

28. Q. Since the Catawba Tribal Sales and Use Tax is imposed as a result of the Catawba Indian Claims Settlement Act, are there any special rules for sales (deliveries) made on the Catawba Indian Reservation?

A. The application of either the State sales and use tax or the Catawba Tribal sales and use tax for sales (deliveries) made on the Catawba Indian Reservation are determined by the Catawba Indian Claims Settlement Act. The specific sales and use tax provisions can be found in Code Section 27-16-130(H). The Catawba Tribal sales and use tax expires on November 28, 2092.

Code Section 27-16-130(H) states:

(H) The Tribe, its members, and the Tribal Trust Funds are liable for the payment of all state and local sales and use taxes to the same extent as any other person or entity in the State, except as specifically provided as follows:

(1) Purchases made by the Tribe for tribal government functions during ninety-nine years from the effective date of this chapter are exempt from state and local sales and use taxes.

(2) Catawba pottery and artifacts made by members of the Tribe and sold on or off the Reservation by the Tribe or members of the Tribe are exempt from state and local sales and use tax.

(3) During ninety-nine years from the effective date of this chapter, the sale on the Reservation of all other items, made on or off the Reservation, are exempt from state and local sales and use taxes but are subject to a special tribal sales tax levied by the Tribe equal to the state and local sales tax that would be levied in the jurisdiction encompassing the Reservation but for this exemption.

(a) The South Carolina sales and use tax laws, regulations, and rulings apply to the special tribal sales tax, and the special tribal sales tax must be administered and collected by the South Carolina Tax Commission.

(b) The South Carolina Tax Commission separately shall account for the special tribal sales tax, and the State Treasurer shall remit the special tribal sales tax revenues periodically to the Tribe at no cost to the Tribe.

(c) The tribal sales tax does not apply to retail sales occurring on the Reservation as a result of delivery from outside the Reservation when the gross proceeds of sale are one hundred dollars or less. If it does not apply, the state sales tax applies.

(d) The Tribe shall impose a tribal use tax on the storage, use, or other consumption on the Reservation of tangible personal property purchased at retail outside the State when the vendor does not collect the tax. However, use taxes collected by a vendor which is not located in the State are subject to state use taxes, and the use tax must be remitted to the State and not the Tribe. Use taxes not collected by the vendor and remitted to the State are subject to the tribal use tax and must be collected directly by the Tribe.

The following chart provides a summary of these provisions:

<u>Delivery on the Reservation From:</u>	<u>Type Tax Applicable</u>	<u>Administered and Collected By:</u>
Location On the Reservation	Tribal Sales Tax (Equal to Combined State and Local Rate)	Department of Revenue
Location Off the Reservation But in SC – Sales \$100 or less	State Sales Tax (6%) (Local taxes would not be applicable in these circumstances.)	Department of Revenue
Location Off the Reservation But in SC – Sales Over \$100	Tribal Sales Tax (Equal to Combined State and Local Rate)	Department of Revenue
Location Off the Reservation and Outside the State – Seller Registered with DOR	State Use Tax (6%) (Local taxes would not be applicable in these circumstances.)	Department of Revenue
Location Off the Reservation and Outside the State – Seller Not Registered with DOR	Tribal Use Tax (Equal to Combined State and Local Rate)	Catawba Indian Tribe

Maximum Tax Items: For sales (deliveries) made on the Reservation of tangible personal property subject to the maximum tax provisions, the tribal sales and use tax rate is 5% in each county (since the state sales and use tax on maximum tax items is 5% and maximum tax items are exempt from all local sales and use taxes), but the tax may not exceed the maximum tax set forth in Code Section 12-36-2110.

Infrastructure Maintenance Fee: For items which are subject to the infrastructure maintenance fee under Code Section 56-3-627, and thereby exempt from state and local sales and use tax by Code Section 12-36-2120(83), see SC Revenue Ruling #18-1 and SC Information Letter #22-17

Please note that the rate for the tribal sales tax and the tribal use tax may increase or decrease dependent upon whether the total state and local sales and use tax rates change in York County in the future.

For additional information concerning the Catawba Tribal Tax, see SC Revenue Ruling #98-18.

Note: The Department publishes a chart with the various types of local sales and use taxes collected by the Department and the exemptions allowed under each tax, including information concerning the Catawba Tribal Tax. As of the date of this document, SC Information Letter #22-16 contains the most recently published information; updated information will be published in new information letters on the Department's website (dor.sc.gov) as warranted.

Other Information:

29. Q. Do the discount provisions for filing and paying timely (Code Section 12-36-2610) apply to a local sales and use tax?
- A. Yes.
30. Q. How is the discount amount(s) for timely filing and payment to be computed?
- A. The discount amount is to be computed by applying the appropriate discount rate to the total tax due on the return (the state tax combined with the local tax).
31. Q. Is a local sales and use tax to be considered in determining whether or not a taxpayer may be permitted to file a quarterly return?
- A. Yes. A local sales and use tax should be considered in determining whether or not a taxpayer may be permitted to file a quarterly return. In other words, the local tax should be added to the state tax liability.
32. Q. Do the penalty and interest provisions of Chapter 54 of Title 12 apply to a local sales and use tax?
- A. Yes.
33. Q. Are the penalties and interest to be applied to a local sales and use tax separately from the state tax?
- A. Yes. Penalties and interest are to be applied to a local sales and use tax separately from the state tax.
34. Q. Is a local sales and use tax to be considered in computing warrant costs, pursuant to Code Section 12-53-40?
- A. Yes.
35. Q. Are warrant costs shared with the counties?
- A. No. Warrant costs are collected from taxpayers for costs incurred by the State in collecting warrants and tax executions.

Notification of Imposition of a Local Sales and Use Tax:

36. Q. Must a local jurisdiction notify the Department of its plan to conduct a referendum to seek approval from its citizens to impose a local sales and use tax that will be administered and collected by the Department on its behalf?
- A. Yes. In recent years, the General Assembly, through a budget proviso, has required that “[a] county or municipal election commission must notify the Department of Revenue sixty days prior to a referendum on the imposition of a local sales tax ...”. Such notices should be emailed to the Local Government Services section of the Department. This notice should include a copy of the referendum.
37. Q. When are those jurisdictions which approve a local tax to notify the Department that they have approved the imposition of a local sales and use tax?
- A. The statutes and laws authorizing the various local sales and use taxes require a local jurisdiction that has approved the imposition of a local sales and use tax to notify the Department by a specified date, depending on the type of local tax. Local jurisdictions seeking to impose a local sales and use tax should carefully review the statute authorizing the tax for this information. Failure to notify the Department will delay the imposition of the tax.

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/W. Hartley Powell

W. Hartley Powell, Director

October 20, 2022
Columbia, South Carolina