



301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

SC REVENUE RULING #87-1

**SUBJECT:** Transfers of Tangible Personal Property  
Pursuant to the Formation of a Corporation

**EFFECTIVE DATE:** December 16, 1986

**REFERENCE:** Section 12-35-1710, South Carolina Code of Laws 1976, as amended

**AUTHORITY:** Sections 12-3-120, 12-3-140 and 12-3-170, South Carolina Code of Laws of 1976, as amended

**SCOPE:** A Revenue Ruling is the Commission's official interpretation of how tax law is to be applied to a specific set of facts. A Revenue Ruling is public information and remains a permanent document until superseded by a Regulation or is rescinded by a subsequent Revenue Ruling.

**PURPOSE:** This policy statement is issued to publish Sales and Use Tax Ruling 86-1 as issued by the Tax Commission

Facts:

"XYZ" Corporation, a wholly owned subsidiary of "ABC" Corporation, was formed in May 1986, to become the operating subsidiary "ABC" Corporation. In July 1986, items of personal property constituting the operating assets of "ABC" Corporation, were transferred to "XYZ" Corporation. Real property relating to the operating assets was transferred by "ABC" Corporation, to "XYZ" Corporation, in October 1986. Among the items of personal property transferred by ABC Corporation to XYZ Corporation, were motor vehicles which are located in South Carolina.

Law:

Section 12-35-1710(A), as amended, imposes a 5 percent excise tax "for the issuance of every certificate of title or other proof of ownership for every motor vehicle, motorcycle, boat, motor, or airplane which is required to be registered, titled, and licensed by law upon which no sales or use tax has been paid on the transaction necessitating the transfer."

Section 12-35-1710(A) (1) (C) excludes from the excise tax those motor vehicles which are:

"Transferred from an individual to a partnership upon formation of a partnership, or to a principal stockholder upon formation of a corporation."

Conclusion:

A literal reading of Section 12-35-1710 (A) (1) (C) would only exempt from the tax a transfer from an individual to a principal stockholder upon the formation of a corporation. We find such to be an illogical conclusion which does not reach the legislative intent. We, therefore, rule that it was the intent of the legislature to exempt from the tax transfers made by a principal stockholder to a corporation upon the organization of such corporation. (Dec. 16, 1986)