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SC INFORMATION LETTER #88-15

TO: Vicki Jinnette
Public Information Officer

FROM: John Swearingen, Manager
Tax Policy and Procedures Department

DATE: June 23, 1988

SUBJECT: Long-term Capital Gains Refund

REFERENE: 1988 Appropriations Bill, Permanent Provisions, Part 11, Section 27

AUTHORITY: S.C. Code Section 12-3-140
SC Revenue Procedure #87-3

SCOPE: An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts.

Taxpayers who paid South Carolina tax on long-term capital gains recognized during 1987 or January, 1988 are eligible for a refund. The refund is payable in two equal annual installments beginning in 1990. In order to simplify the procedure for issuing the refund, the Commission will allow the refund as a refundable credit on the taxpayer's returns filed in 1990 and 1991. Appropriate forms will be included with the returns to be filed in 1990 and 1991 and a line will be designated to allow the refundable credit. The refund will not be issued on an amended return.

The long-term capital gains of individuals, partnerships (including S corporations), estates and trusts are included. The gains must have been recognized during 1987 or January, 1988. The gains recognized during January, 1988 must be pursuant to a written contract entered into prior to January 1, 1988.

The refundable amount is the difference between the tax paid on the taxpayer's return attributable to the long-term capital gain and the tax which would have been paid if the taxpayer had excluded 60% of the gain as provided in IRC Section 1202 as amended through 1985.

Work Sheet For Individual Taxpayer to Compute 1987 Capital Gains Refund

1. S.C. Income subject to tax 1987 SC1040 line 6
2. If Line 18 of Schedule D, 1987 Federal 1040 shows a gain, enter the smaller of line 17 or 18 of Schedule D
3. Enter 60% of line 2
4. Subtract line 3 from line 1
5. Tax per return: Enter tax from line 7 of 1987 SC 1040
6. Adjusted Tax: Enter tax on amount on line 4 from 1987 tax tables
7. Refundable tax: Subtract line 6 from line 5*

*Note: This amount is refundable in two equal annual installments beginning 1990.