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SC INFORMATION LETTER #92-18

TO: Vickie Jinnette Ringer
Public Information Director

FROM: Sally Major, Tax Analyst
Tax Policy and Appeals Department

DATE: June 1, 1992

SUBJECT: Estimated Tax Payments - Individuals and Corporations
(Income Tax)

REFERENCE: S.C. Code Ann. Section 12-7-20(11) (As amended May 1992)

AUTHORITY: S.C. Code Section 12-4-320 (1991 Supp.)
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.

In May of 1992, the South Carolina legislature passed Act #361. Section #4 of this act provides that effective for tax years beginning after 1991, the definition of the Internal Revenue Code provided in Code Section 12-7-20(11) is amended to mean the Internal Revenue Code of 1986 as amended through December 31, 1991. Certain changes were made to the Internal Revenue Code in connection with estimated tax payments during 1991 for both corporations and individuals which have an impact on South Carolina estimated tax payments for 1992.

Corporate Taxpayer Estimated Payments:

For tax years beginning in 1992, corporate taxpayers making their estimated tax payments based on a percentage of their current year income tax liability are required to pay 93% of estimated tax liability rather than the previously required 90%.

Although Section #4 is effective for tax years beginning in 1992, the Commission will not impose penalties for failure to meet this requirement for any installment due prior to June 1, 1992.

Individual Taxpayer Estimated Payments:

For tax years beginning after December 31, 1991, Internal Revenue Code Section 6654(d) was amended to provide that certain individuals can not avoid penalties for failure to make estimated payments by paying 100% of their prior year's tax liability. For the first installment they may still rely on their prior year's tax liability; however, for the second through the fourth installment's, they are required to make estimated payments of at least 90% of their current year's tax liability. This new provision applies to the individuals meeting the following requirements:

- (1) their modified adjusted gross income for the current year exceeds the amount of the adjusted gross income shown on the returns for the preceding tax year by more than \$40,000 (\$20,000 in the case of a separate return for the current year by a married individual),
- (2) their adjusted gross income shown on the return for the current year exceeds \$75,000 (\$37,500 in the case of a married individual filing a separate return), and
- (3) they have made estimated tax payments in any of the three preceding taxable years or were charged an estimated tax penalty for any of these years.

Since there is no change in the law from the previous year for the first installment, there should be no penalties as a result of the South Carolina law being enacted after the first installment was due to the State. The new Internal Revenue Code provision is effective for all remaining estimated tax payments due in 1992.