STATE OF SOUTH CAROLINA

PARTNERSHIP RETURN
Tax Year 2013

SC1065
(Rev. 7/16/13)
3087

Return is due on or before the 15th day of the fourth month following the close of the taxable year.

For the year January 1 - December 31, 2013, or fiscal tax year beginning _____ 2013 and ending _____ 2014

FEIN (Required):	**SC File # (Required):**	County:

Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Address change (4) ☐ Amended return

Total Number of Partners:	Number of Partners that are Not SC Residents:

ATTACH A COPY OF FORM 1065 FEDERAL PARTNERSHIP RETURN AND COPIES OF ALL SCHEDULES.

☐ Check here if you filed a federal or state extension.	Read the instructions carefully and fill in all applicable lines and schedules.

Location of business property: City _____ State _____ Phone Number _____

COMPLETE SCHEDULE SC-K FIRST

STAPLE PAYMENT HERE

Schedule W-H Withholding Tax on Income of Nonresident Partners

1. Total from line 21, page 2, SC1065	1.	
2. Amount of line 1 income taxable to nonresident partners (from SC1065 K-1s)	2.	
3. Amount of line 2 exempt from withholding because of I-309 affidavit or composite filing	3.	
4. Subtract line 3 from line 2, if less than zero, enter -0-	4.	
5. Withholding tax due - line 4 times .05 (5%)	5.	
6. Withholding from nonresident sale of real estate (Attach I-290) or SC Withholding from form 1099MISC	6.	
7. Amount paid with extension SC8736	7.	
8. Add lines 6 and 7	8.	
9. Subtract line 8 from line 5. If zero or less, enter zero here. This is the amount due with this return. Refunds cannot be issued from the SC1065. An overpayment must be claimed and refunded at the partner level. **BALANCE DUE**	9.	

I declare that this return and all attachments are true, correct and complete to the best of my knowledge and belief. 14-0832

Please Sign Here

Signature of general partner or LLC/LLP member _____ Date _____

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. ☐ Yes ☐ No

Paid Preparer's Use Only

Preparer Printed Name	Check if self-employed ☐	Preparer telephone number
Preparer signature		PTIN
		Date
Firm's name (or yours if self-employed) and address		FEIN

Mail to:
Payment Included:
SC DEPARTMENT OF REVENUE
TAXABLE PARTNERSHIP
COLUMBIA SC 29214-0036

No Payment:
SC DEPARTMENT OF REVENUE
NONTAXABLE PARTNERSHIP
COLUMBIA SC 29214-0037

30871024

Form SC1065

SCHEDULE SC-K **PARTNERS' SHARES OF INCOME (LOSSES), DEDUCTIONS, CREDITS ETC.** (See instructions.)

*** Enter amounts from corresponding lines on your federal Schedule K in Column A.**

	(A)* Enter Amounts From Federal Schedule K	(B) Plus or Minus South Carolina Adjustment	(C) Federal Schedule K Amounts After SC Adjustments	(D) Amounts Allocated to SC	(E) Amounts Allocated to States Other Than SC	(F) Amounts Subject to Apportionment
1	Ordinary Business Income (loss)					
2	Net Real Estate Rents (loss)					
3	Other Net Rents (loss)					
4	Guaranteed Payments					
5	Interest Income					
6	Dividends					
7	Royalties					
8	Net Short Term Cap. Gain (loss)					
9	Net Long Term Cap. Gain (loss)					
10	Net § 1231 gain (loss)					
11	Other Income (loss)					
12	§ 179 Deduction					
13a	Contributions					
13b	Investment Interest Expense					
13c	§ 59 (e)(2) Expenditures					
13d	Other Deductions					
14	Total					

15. Amounts from federal Schedule K (line 14, Schedule SC-K, Col. A)	15	
16. Amount Allocated to South Carolina (from line 14, Schedule SC-K, Col. D)	16	
17. Net income (loss) subject to apportionment (from line 14, Schedule SC-K, Col. F)	17	

APPORTIONMENT

	TOTAL	SC
18. Total Sales or Gross Receipts		

19. Apportionment factor (SC ÷ TOTAL). 100% if operating entirely within SC	19	%
20. Net business income (loss) apportioned to SC (line 17 multiplied by line 19)	20	
21. Net business income (loss) taxable to SC (line 16 plus line 20)	21	

INSTRUCTIONS FOR PARTNERSHIP INCOME TAX RETURN
South Carolina Department of Revenue SC1065 (Rev. 7/16/13)

The references to line numbers and form numbers on federal income tax forms were correct at the time of printing. If they have changed and you are unable to determine the proper line to use, please contact the Department of Revenue. These instructions are to be used as a guide in the preparation of a South Carolina partnership income tax return and are not intended to cover all provisions of the law.

CHANGE IN APPORTIONMENT METHOD

USE PRIOR YEAR FORMS FOR TAX YEARS BEGINNING BEFORE 2011.

A. Who Must File - Every partnership (including any multiple member LLC not taxed as a corporation), domestic or foreign, doing business or owning property in South Carolina must file SC1065. Partnership income or loss is computed in the same manner and on the same basis as for an individual. Taxpayers carrying on business in a partnership are liable for income tax in their individual capacities. Each partner's return shall include his distributive share, whether distributed or not, of the net income or loss of the partnership for the taxable year. If a partner and partnership have different taxable years, the partner's return shall include income or loss reported by the partnership during the partner's taxable year.

B. Registration Information – A newly formed partnership can be registered by using the Business One Stop Online Business Registration available at **www.scbos.sc.gov** or by downloading and submitting form SCDOR-111 which is also available through our website **www.sctax.org.** The SC partnership file number will be assigned upon completion of the registration process.

C. Filing Requirements - File SC1065 and include the amount required to be withheld to the Department of Revenue by the 15th day of the fourth month following the end of the partnership's taxable year. **Within the same deadline, provide each nonresident partner with a federal Form 1099-MISC with "SC only" written at the top, showing the amount of the nonresident partner's withholding. Withholding is not required for any partner participating in a composite return, and for partners that provide an I-309 affidavit.** Attach each SC1065 K-1. Tiered or layered partnerships must withhold only once for activities of the partnership within South Carolina. Any related partnership must attach a statement explaining any pass-through withholding and provide a 1099-MISC "for SC purposes only" to each partner. Amend SC1065 whenever the Internal Revenue Service adjusts a federal form 1065. If payment is included, mail to **SC DEPARTMENT OF REVENUE, TAXABLE PARTNERSHIP, COLUMBIA, SC 29214-0036**. If no payment is included, mail to **SC DEPARTMENT OF REVENUE, NONTAXABLE PARTNERSHIP, COLUMBIA, SC 29214-0037**.

D. Balance Due With Return - Payment must be made for any balance due amount calculated on the return. Make the check payable to the "SC Department of Revenue." Write the file number or federal employer identification number (FEIN) and "SC1065 and the year of the tax return" on the payment. **Staple** the payment to the front of the form in the indicated area. **NOTE:** refunds cannot be claimed through SC1065. An overpayment must be claimed and refunded at the partner level.

E. How To Obtain Past Year Forms – Past year SC1065 partnership forms can be found on our website **www.sctax.org** by clicking on Quick Links, Forms and Instructions, and then Past Years Tax Forms and Instructions.

F. Composite Filing - A composite return is a single nonresident individual income tax return filed by a partnership on behalf of two or more nonresident partners who are individuals, trusts or estates. See SC form I-348 for instructions for filing a composite return. This information can be found on our website **www.sctax.org** in the Partnership tax forms and instructions.

G. Extensions - A partnership may request an extension of time to file SC1065 by filing SC8736 by the 15th day of the fourth month following the end of the partnership's taxable year. When filing SC8736, include withholding of 5% of income taxable to South Carolina on all nonresident partners. However, you are not required to withhold on behalf of partners that (a) participate in a composite return, or (b) provide an I-309 affidavit stating that the taxpayer is subject to the jurisdiction of the SC Department of Revenue and the courts of South Carolina for purposes of determining and collecting tax, interest and penalties. Include all I-309s when filing SC8736. In lieu of SC8736, the Department of Revenue will accept a federal extension. Attach a copy of the federal extension and file the tax return within the extended period.

H. Composite Extensions - In order to extend the time allowed for filing a composite return, file SC4868 using the name and FEIN of the partnership, estimate the tax due, and pay the tax estimate on or before the 15th day of the 4th month following the end of the partner's taxable year. Do not use the SC8736 to extend the time allowed to file a composite return, file SC4868 instead. For tax years after 2004, nonresident partners may participate in composite returns even if they have other sources of income taxable to South Carolina. Disregard the other sources of income taxable to South Carolina when preparing the composite return. For more detailed information, see SC Revenue Procedure #92-5 on our website **www.sctax.org.**

I. Information To Be Furnished To Partners - Supply SC1065 K-1 to each partner. Partnerships receiving passive activity income and losses from investments located within and without South Carolina must furnish partners with detailed accountings of these amounts. Similar information must be furnished to partners who did not materially participate in the trade or business of a partnership engaged in multi-state operations. These partners may have nondeductible passive losses that cannot be used to offset interest and other business-related portfolio income apportioned to South Carolina.

J. Acceptable Forms of K-1 Information - If a partnership has more than 50 partners, we request that you submit the K-1 information on a CD in any file format that is compatible with Microsoft Word or Excel. The CD should be labeled with the following information: Name of Partnership, Federal Employer Identification Number, South Carolina Partnership File Number and Tax Year. Excel spreadsheets are also accepted. We will continue to accept paper K-1s, but request the CD or spreadsheet method of reporting. Permission does not need to be obtained from this office to submit K-1s by these methods.

K. Tax Credits - Enter non-refundable tax credits on SC1040TC and attach to this return. Attach specific tax credit schedules to your return. Furnish a statement to each partner indicating the amount of credit allocated to that partner.

L. Allocation and Apportionment of Income: A taxpayer whose entire business is transacted or conducted in SC is subject to income tax based on the entire taxable income of the business for the taxable year. A taxpayer that transacts or conducts its business partly within and partly outside of SC is subject to income tax based on the portion of its business carried on in SC. This portion is determined through allocation and apportionment of income. SC Code §§12-6-2220 and 12-6-2230 provide that certain classes of income, less related expenses, are allocated. The income remaining after allocation is apportioned in accordance with SC Code §12-6-2240. SC generally requires the use of one of the following apportionment methods:

1. A "sales only" apportionment method for taxpayers whose principle business in SC is dealing in tangible personal property. This method is used by businesses that manufacture, sell, or rent tangible personal property. The SALES factor is all sales of goods, merchandise and property in South Carolina to anyone other than the US government, divided by total sales everywhere. The sale takes place where goods are received by the purchaser or his designee after all transportation is completed. Sales in South Carolina include all rentals not allocated from tangible personal property located in South Carolina and sales of intangible personal property and receipts from services of income-producing activities performed entirely within South Carolina. If the income-producing activity is performed partly within and partly without South Carolina, sales are attributable to South Carolina to the extent the income-producing activity is performed within South Carolina.

2. A "gross receipts" apportionment method for taxpayers not dealing in tangible personal property. This method is used by financial businesses and service businesses, including businesses that install or repair tangible personal property, and contractors. This apportionment factor is SC gross receipts divided by gross receipts everywhere. See SC Code §§12-6-2290 and 12-6-2295.

3. A "special" apportionment method provided in SC Code §12-6-2310 for certain companies, such as railroad companies, telephone companies, pipeline companies, airline companies, and shipping lines. Use the appropriate apportionment method in place of sales only or gross receipts.

4. A taxpayer may apply pursuant to SC Code §12-6-2320 for an individualized apportionment method tailored to a particular business because the normally required method would not fairly represent the extent of the taxpayer's business in SC, or as an economic incentive.

See our publication **South Carolina Tax Incentives for Economic Development** for details. This publication can be found on our website at **www.sctax.org** under Publications, Information for Tax Professionals.

M. Completing the SC1065

Print or type the legal name and address of the partnership.

Both FEIN and SC File numbers are required. If the SC File number has not been assigned by the South Carolina Department of Revenue, refer to the Registration Information included in these instructions. For FEIN information, contact the Internal Revenue Service.

Enter the county where the partnership is located.

Check the boxes that apply:

1. Initial Return – mark this box if this return is the first SC1065 filed for this entity.

2. Final Return – mark this box if this return is the last SC1065 that will be filed for this entity. Marking this box will allow us to close the partnership account. The Account Closing Form C278 should be filed to close any other tax accounts for this entity such as Sales or Employer Withholding.

3. Address Change – mark this box if the address shown on this return is different from the address on the last SC1065 filed or from any other address documentation sent to our office. Form SC8822 should be submitted to change the address on any other tax accounts for this entity such as Sales or Employer Withholding.

4. Amended Return – mark this box if this return amends a previously filed return for this period.

The SC1065 is a four step process described below in general terms.

1. Complete Schedule SC-K. Bring amounts from Schedule SC-K to lines 15, 16, and 17.

2. Complete the Apportionment, lines 18-20.

3. Complete SC1065 K-1 for each partner. Enter the amount of income taxable to nonresident partners on Line 2 of Schedule W-H Withholding Tax on Income of Nonresident Partners.

4. Complete Schedule W-H Withholding Tax on Income of Nonresident Partners. Bring amount from line 21, page 2, SC1065 to line 1. Complete lines 2-9 if applicable.

STEP-BY-STEP INSTRUCTIONS FOR SC1065

STEP 1 COMPLETING SCHEDULE SC-K

Schedule SC-K is a worksheet for making South Carolina adjustments to federal Schedule K items and showing the amount of these items that are allocated to South Carolina and amounts subject to apportionment.

Column A Computation of Income: Enter the amounts from Column A of federal Schedule K, lines 1 through 13d in the same line numbers of Column A of SC-K. Total Column A lines 1 - 13d and enter on line 14.

Column B South Carolina Adjustment: Include in Column B additions and subtractions resulting from differences between federal and South Carolina law. Show any income taxed by South Carolina but not subject to federal income tax, such as interest income received from states other than South Carolina, or their political subdivisions as an addition. Some other examples of additions are:

- Expenses deducted on the federal return related to income exempt or not taxable to SC.
- Federal bonus depreciation. For the year an asset is placed in service, add back the difference between the depreciation taken and the depreciation that would have been allowed without bonus depreciation. A subtraction resulting from a higher SC basis applies to all remaining years of depreciation.
- A nonresident seller of South Carolina real property who elects out of installment sales treatment must report the entire gain for the taxable year in which the sale took place. Show any income not taxed by South Carolina but subject to federal income tax, such as interest paid by the US government on US savings bonds, treasury bills etc. as a subtraction.

Total Column B lines 1 - 13d and enter on line 14.

Column C Federal Schedule K Amounts after SC Adjustments: This amount is the sum of Columns A and B.

Column D Amounts Allocated To SC: Allocation of Income: Allocation and apportionment statutes are located in SC Code Sections 12-6-2210 through 12-6-2320. After allocating the following items, all remaining items are subject to apportionment as described below. The following items must be allocated. List amounts allocated to South Carolina in Column D.

- **Personal service income:** Allocate personal service income, including guaranteed payments, to South Carolina if (a) the income is received by a resident individual or (b) the income is for services performed in South Carolina.
- **Gains and losses from sale of property:** Allocate gains and losses from the sale of **real** property, less all related expenses, to the state in which the real property is located, except that the amount of gain which represents the return of amounts deducted in South Carolina as depreciation is allocated to South Carolina. If a taxpayer's business is conducted partly within and partly without South Carolina, allocate gains and losses from sales of **tangible personal** property unrelated to the business activity of the taxpayer to the state in which the business situs of the investment is located, unless the business situs of the investment is partly within and partly without South Carolina. Allocate gains and losses from sales of **intangible personal** property not connected with the business of the taxpayer and not held for sale to customers in the regular course of business to a corporate partner's principal place of business and a noncorporate partner's domicile.
- **Rents and royalties:** Allocate rents and royalties from the lease of rental real estate or tangible personal property not used or connected with the taxpayer's trade or business during the year, less all related expenses, to the state where the property was located at the time the income was derived.
- **Interest and dividends:** Allocate interest and dividends not connected with the taxpayer's business, less all related expenses, to a corporate partner's principal place of business and a noncorporate partner's domicile.
- **Other income subject to allocation:** Any income, less all related expenses that are not otherwise allocated and that are unrelated to a taxpayer's business activity conducted partly within and partly without this State is allocated to the state in which the business situs of the investment is located. If the business situs of the investment is partly within and partly without South Carolina, the investment is apportioned using the same formula used for apportioning the net income of the corporation.

Total Column D lines 1 - 13d and enter on line 14.

Column E Amounts Allocated to States Other Than SC: See Column D instructions for Allocation of Income.

Column F Amounts Subject to Apportionment: Enter the amounts in Column F that are **not allocated** to South Carolina or any other state. These amounts are subject to apportionment. Total Column F lines 1 – 13d and enter on line 14.

Line 15 – Enter the amounts from federal Schedule K on line 14, Schedule SC-K, Column A.

Line 16 – Enter the amounts allocated to South Carolina from line 14, Schedule SC-K, Column D.

Line 17 – Enter the Net income (loss) subject to apportionment from line 14, Schedule SC-K, Column F.

STEP 2 APPORTIONMENT

Line 18 -- Enter total sales or gross receipts in the first column and SC sales or gross receipts in the second column.

Line 19 -- Divide SC sales or gross receipts by sales or gross receipts everywhere and enter the percentage. Compute all percentages to four digits to the right of the decimal.

Line 20 -- Multiply line 17 by line 19.

Line 21 -- Net business income (loss) taxable to SC (line 16 plus line 20).

STEP 3 COMPLETING SC1065 K-1

General purpose: SC1065 K-1 is prepared by the partnership to show each partner's share of the entity's income. Each item of income is adjusted as required by South Carolina law and allocated or apportioned to South Carolina or to states other than South Carolina.

See the SC1065 K-1 for instructions on completing the form. Include SC1065 K-1 with your SC1065 Partnership Return. Provide a copy to the partner.

Enter the amount of income taxable to nonresident partners on line 2 of Schedule W-H on page 1 of the SC1065.

STEP 4 COMPLETING SCHEDULE W-H WITHHOLDING TAX ON INCOME OF NONRESIDENT PARTNERS

Important: SC-K must be completed before entering any figures on lines 1-9.

Line 1 – Enter the net business income (loss) taxable to South Carolina from line 21, page 2 of form SC1065.

Line 2 – Enter the amount of line 1 income taxable to nonresident partners. (From SC1065 K-1s)

Line 3 – Enter any portion from line 2 which would be exempt from withholding due to form I-309 affidavit or composite filing.

Line 6 – Enter the amount of withholding from nonresident seller real estate or South Carolina withholding from form 1099-MISC. (Attach supporting I-290 or 1099-MISC).

Line 7 – Enter the amount paid with extension request, form SC8736.

Line 9 – Subtract line 8 from line 5. If zero or less, enter zero. This is the amount due with this return.

PLEASE NOTE: Refunds cannot be issued from form SC1065 since this is an information return only. Any overpayment must be claimed and refunded at the partner(s) level.