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STATE OF SOUTH CAROLINA
2020 PARTNERSHIP RETURN

Due by the 15th day of the third month following the close of the taxable year.

SC 1065
(Rev. 9/23/20)
3087

For the year January 1 - December 31, 2020, or fiscal tax year beginning - 2020 and ending - 2021

Name, Location of business property, Address, Phone number, City, State, ZIP, FEIN, SC file #, County code, Check if: Initial return, Final return, Address change, Amended return, Total number of partners, etc.

COMPLETE SCHEDULE SC-K FIRST

Schedule W-H Withholding Tax on Income of Nonresident Partners

STAPLE PAYMENT HERE

Table with 12 rows for withholding tax calculations, including columns for description, amount, and balance due.

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

Sign Here, Paid Preparer's Use Only, Mail to: SCDOR Taxable Partnership, SCDOR Nontaxable Partnership

30871206



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

	A	B	C	D	E	F	
	Enter Amounts From Federal Schedule K	Plus or Minus South Carolina Adjustment	Federal Schedule K Amounts After SC Adjustments	Amounts Allocated to SC	Amounts Allocated to States Other Than SC	Amounts Subject to Apportionment	
1	Ordinary business income (loss)						
2	Net rental real estate income (loss)						
3	Other net rental income (loss)						
4	Guaranteed payments						
5	Interest income						
6	Dividends						
7	Royalties						
8	Net short term capital gain (loss)						
9	Net long term capital gain (loss)						
10	Net section 1231 gain (loss)						
11	Other income (loss)						
12	Section 179 Deduction						
13a	Contributions						
13b	Investment interest expense						
13c	Section 59(e)(2) Expenditures						
13d	Other deductions						
14	Total						
15	Amount from federal Schedule K (line 14, column A) .....					15	
16	Amount allocated to South Carolina (line 14, column D) .....					16	
17	Net income (loss) subject to apportionment (line 14, column F) .....					17	
<b>APPORTIONMENT</b>							
				TOTAL	SC		
18	Total sales or gross receipts .....					18	
19	Apportionment factor (divide South Carolina sales or gross receipts by total) .....					19	%
20	Net business income (loss) apportioned to South Carolina (multiply line 17 by line 19) .....					20	
21	Net business income (loss) taxable to South Carolina (add line 16 and line 20) .....					21	

## INSTRUCTIONS

**Who Must File:** Every domestic or foreign partnership (including any multiple member LLC not taxed as a corporation) doing business or owning property in South Carolina must file an SC1065. Partnership income or loss is determined in the same manner and on the same basis as for an individual. Taxpayers doing business in a partnership are liable for Income Tax in their individual capacities. Each partner's return must include their 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 must include income or loss reported by the partnership during the partner's taxable year.

**Registration Information:** A newly-formed partnership can register at [MyDORWAY.dor.sc.gov](https://MyDORWAY.dor.sc.gov). To get started, select **Register a New Business or Tax Account**. To register by paper, download the SCDOR-111, Business Tax Application at [dor.sc.gov/forms](https://dor.sc.gov/forms).

**Filing Requirements:** File the SC1065 and include the amount required to be withheld to the SCDOR by the 15th day of the third month following the end of the partnership's taxable year. Within the same deadline, provide each nonresident partner with a federal 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 or for partners that provide an I-309 affidavit.** Attach each SC1065 K-1. Tiered or layered partnerships must withhold only once for the partnership's activities 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 your SC1065 whenever the IRS adjusts your federal 1065.

**Payments:** The balance of tax shown to be due on line 11, page 1 of the SC1065 must be paid in full. Failure to pay the tax on time will result in additional penalty and interest. Pay online using our free tax portal, MyDORWAY, at [dor.sc.gov/pay](https://dor.sc.gov/pay). Select **Business Income Tax Payment** to get started. If paying by check or money order, include name of partnership, FEIN, tax year, and SC1065 in the memo and attach to the paper return.

If you owe \$15,000 or more on any SCDOR return, you must file and pay electronically according to SC Code Section 12-54-250.

**Electronic Filing:** You can file your SC1065 along with your federal Partnership Return electronically in a single transmission using third party tax preparation software. Visit [dor.sc.gov/services/electronic](https://dor.sc.gov/services/electronic) for more information on developers that support this service.

**Forms:** Find current and past year SC1065 Partnership Tax forms at [dor.sc.gov/forms](https://dor.sc.gov/forms).

**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 the I-348, Composite Filing Instructions, at [dor.sc.gov/forms](https://dor.sc.gov/forms) for instructions.

**Extensions:** To request an extension of time to file the SC1065, submit the SC8736, Request for Extension of Time to File Return for Fiduciary & Partnership, by the 15th day of the third month following the end of the partnership's tax year. You can also choose to pay your balance due online at [dor.sc.gov/pay](https://dor.sc.gov/pay). Select **Business Income Tax Payment** to get started. Your payment on MyDORWAY automatically submits your filing extension request. No additional form or paperwork is required. South Carolina will also accept a federal extension instead of the SC8736. When you file your SC1065, check the **Extension** box of the front of the return if you filed a federal or state extension.

Include withholding of 5% of income taxable to South Carolina on all nonresident partners when filing the SC8736. You are not required to withhold for 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 SCDOR and the courts of South Carolina for determining and collecting tax, interest and penalties. If you file by paper, include all I-309 affidavits when filing the SC8736.

**Composite Extensions:** To request a filing extension for a composite return, file the SC4868 using the name and FEIN of the partnership. Estimate the tax due and pay the estimated tax by the 15th day of the fourth 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. Mark the **Composite Filer** box on the SC4868. 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 information, see SC Revenue Procedure #17-2 at [dor.sc.gov/policy](https://dor.sc.gov/policy).

**Information to Provide to Partners:** Provide the SC1065 K-1 to each partner. Partnerships receiving passive activity income and losses from investments located within and outside of South Carolina must furnish partners with detailed accountings of these amounts.

Similar information must be provided 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.

**Providing K-1 Information:** If you file the SC1065 electronically, submit the K-1 information to the SCDOR in the same manner. Do not send paper copies of returns or K-1s if you file electronically. If you file by paper and have more than 50 partners, submit the K-1 information on a CD in any file format compatible with Microsoft Word or Excel. Label the CD with the partnership name, FEIN, South Carolina file number, and tax year.

**Tax Credits:** Enter nonrefundable tax credits on the SC1040TC and attach to this return along with specific tax credit schedules. Indicate the amount of credit allocated to each partner on that partner's SC1065 K-1. The partners will be responsible for claiming the tax credits and including the appropriate tax credit schedules on their Income Tax returns.

**Allocation and Apportionment of Income:** A taxpayer whose entire business is conducted in South Carolina is subject to Income Tax based on the entire taxable income of the business for the taxable year. A taxpayer that conducts its business partly within and partly outside of South Carolina is subject to Income Tax based on the portion of its business in South Carolina. This portion is determined through allocation and apportionment of income. SC Code Sections 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 according to SC Code Section 12-6-2240. South Carolina generally requires the use of one of the following apportionment methods:

1. A **sales only** apportionment method for taxpayers whose principle business in South Carolina 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, 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 nonallocated rental income from tangible personal property located in the state, sales of intangible personal property, and receipts from services of income-producing activities performed entirely in South Carolina. If the income-producing activity is performed partly within and partly outside of 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 South Carolina gross receipts divided by gross receipts everywhere. See SC Code Sections 12-6-2290 and 12-6-2295 at [dor.sc.gov/policy](http://dor.sc.gov/policy) for more information.
3. A **special** apportionment method provided in SC Code Section 12-6-2310 for certain companies, such as railroad companies, telephone companies, pipeline companies, airline companies, and shipping lines: Use the appropriate apportionment method instead of **sales only** or **gross receipts**.
4. An **individualized** apportionment method tailored to a particular business: A taxpayer may apply for an individualized method according to SC Code Section 12-6-2320 if the normally-required method would not fairly represent the extent of the taxpayer's business in South Carolina, or as an economic incentive.

For more information, see our South Carolina Tax Incentives for Economic Development guide at [dor.sc.gov/policy/index/policy-manuals](http://dor.sc.gov/policy/index/policy-manuals).

## LINE INSTRUCTIONS

**Heading:** Enter the name, address, FEIN, and county code of the partnership in the correct fields on page 1.

Check the box for:

- **Initial return** if this is the first SC1065 filed for this partnership
- **Final return** if this is the last SC1065 that will be filed for this partnership. If you check this box, the partnership account will be closed. File the C278, Account Closing Form to close any other accounts, such as Sales or Withholding. Find the C278 at [dor.sc.gov/forms](http://dor.sc.gov/forms).
- **Address change** if the address shown on this return is different from the address on the last SC1065 filed. Use the SC8822, Change of Address/Business Location to change the address for any other accounts. Save time and paper by completing this form online. Simply visit [MyDORWAY.dor.sc.gov](http://MyDORWAY.dor.sc.gov) and sign in to your existing account or create an account to get started. If you want to change your address by paper, find the SC8822 at [dor.sc.gov/forms](http://dor.sc.gov/forms).
- **Amended return** if you are amending a previously-filed return for this period. You cannot amend the partnership return to change the withholding amount shown on the SC1065 K-1s provided to the partners. The partners will claim the amounts withheld on their Income Tax returns.

Enter the total number of:

- Partners in the partnership
- Partners who are not residents of South Carolina
- Nonresident partners who have filed an I-309 affidavit with the partnership
- Nonresident partners who are participating in a composite return

Nonresident partners who have completed the I-309 affidavit or are included in a composite filing are exempt from withholding.

### **SCHEDULE SC-K**

Complete the Schedule SC-K before completing the Schedule W-H. Use the Schedule SC-K to make South Carolina adjustments to federal Schedule K items and show the amounts allocated to South Carolina and the amounts subject to apportionment.

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

**Column B South Carolina Adjustment:** Include additions and subtractions resulting from differences between federal and South Carolina law in Column B. 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 South Carolina.
- 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 South Carolina 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, and treasury bills, as a subtraction.

Add line 1 through line 13d and enter the total 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:** List amounts allocated to South Carolina in Column D. The following items must be allocated. All remaining items are subject to apportionment.

- **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 to the state in which the real property is located. Subtract all related expenses. Allocate to South Carolina any gain which represents the return of amounts deducted in South Carolina as depreciation. If a taxpayer's business is conducted partly within and partly outside of 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. 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 to the state where the property was located at the time the income was derived. Subtract all related expenses.
- **Interest and dividends:** Allocate interest and dividends not connected with the taxpayer's business to a corporate partner's principal place of business and a noncorporate partner's domicile. Subtract all related expenses.
- **Other income subject to allocation:** Any income, less all related expenses, that is not otherwise allocated and that is unrelated to a taxpayer's business activity conducted partly within and partly outside of South Carolina 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 outside of South Carolina, apportion the investment using the same formula used to apportion net income.

Allocation and apportionment statutes are located in SC Code Sections 12-6-2210 through 12-6-2320.

Add line 1 through line 13d and enter the total on line 14.

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

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

**Line 15:** Enter the federal Schedule K total from line 14, column A.

**Line 16:** Enter the amounts allocated to South Carolina from line 14, column D.

**Line 17:** Enter the net income (loss) subject to apportionment from line 14, column F.

**Line 18:** Enter total sales or gross receipts in the first column and South Carolina sales or gross receipts in the second column. See the apportionment instructions for more information on how to determine South Carolina sales or gross receipts.

**Line 19:** Divide South Carolina 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 South Carolina (add line 16 and line 20). Enter this amount on line 1 of the SC1065, Schedule W-H.

### **SC1065 K-1**

Prepare an SC1065 K-1 for each partner to show their share of the partnership's income. Adjust each item of income as required by South Carolina law. Allocate or apportion income to South Carolina or other states.

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 the SC1065, Schedule W-H.

### **SCHEDULE W-H**

Complete this schedule on the first page of the SC1065 after completing the Schedule SC-K and the SC1065 K-1s.

**Line 1:** Enter the net business income (loss) taxable to South Carolina from the Schedule SC-K, line 21.

**Line 2:** Enter the amount of line 1 income taxable to nonresident partners as shown on their SC1065 K-1s.

**Line 3:** Enter any portion from line 2 which is exempt from withholding due to the I-309 affidavit or composite filing.

**Line 6:** Enter the amount of withholding from nonresident sale of real estate or from a 1099-MISC received by the partnership. Only include withholding amounts related to nonresident partners. Attach supporting I-290 or 1099-MISC.

**Line 7:** Enter the amount paid with extension request, SC8736.

**Line 9:** Subtract line 8 from line 5. If zero or less, enter zero. This is the amount of Withholding Tax due.

**Line 10:** Attach the I-385 if claiming the refundable Motor Fuel Income Tax Credit. The allowable credit is the lesser of the increase in South Carolina motor fuel user fee you paid during the tax year or the preventative maintenance costs you incurred in South Carolina during the tax year. Refer to the instructions of the I-385 at [dor.sc.gov/forms](http://dor.sc.gov/forms) and SC Revenue Ruling #17-6 at [dor.sc.gov/policy](http://dor.sc.gov/policy) for information concerning the credit.

**Line 11:** If line 9 is greater than line 10, enter the difference. This is the amount due with the return.

**Line 12:** If line 10 is greater than line 9, enter the difference. This is the amount of Refundable Motor Fuel Income Tax Credit available to be refunded.

**Only a refund resulting from the refundable Motor Fuel Income Tax Credit can be claimed on the SC1065. An overpayment resulting from other sources must be claimed and refunded at the partner level.**

**COUNTY CODES**

<b>COUNTY</b>	<b>CODE</b>	<b>COUNTY</b>	<b>CODE</b>	<b>COUNTY</b>	<b>CODE</b>
Abbeville .....	01	Dillon .....	17	McCormick .....	33
Aiken .....	02	Dorchester .....	18	Marion .....	34
Allendale .....	03	Edgefield .....	19	Marlboro .....	35
Anderson .....	04	Fairfield .....	20	Newberry .....	36
Bamberg .....	05	Florence .....	21	Oconee .....	37
Barnwell .....	06	Georgetown .....	22	Orangeburg .....	38
Beaufort .....	07	Greenville .....	23	Pickens .....	39
Berkeley .....	08	Greenwood .....	24	Richland .....	40
Calhoun .....	09	Hampton .....	25	Saluda .....	41
Charleston .....	10	Horry .....	26	Spartanburg .....	42
Cherokee .....	11	Jasper .....	27	Sumter .....	43
Chester .....	12	Kershaw .....	28	Union .....	44
Chesterfield .....	13	Lancaster .....	29	Williamsburg .....	45
Clarendon .....	14	Laurens .....	30	York .....	46
Colleton .....	15	Lee .....	31		
Darlington .....	16	Lexington .....	32		
APO/FPO Addresses .....					99
Outside of South Carolina .....					99
Outside of United States .....					88