

Instructions for C and S Corporation Income Tax Returns

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Which form do I use?

- SC1120 - C Corporation
- SC1120S - S Corporation
- SC1101B - Bank
- SC1104 - Savings & Loan Association
- SC1120U - Public Utility
- CL-4 - Electric Cooperative
- SC990-T - Nonprofit Organization with unrelated business income

Taxpayers filing a federal 1120-F, 1120-H, 1120-POL, 1120-REIT, or similar variation of the federal 1120 should file the SC1120. An Insurance Company must file with the Department of Insurance.

Forms are available at dor.sc.gov/forms.

The references to form numbers and line descriptions on federal Corporate 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, contact the SCDOR Corporate Tax section at 1-844-898-8542 or by email at corptax@dor.sc.gov. Use these instructions as a guide when preparing your Corporate Income Tax return. They are not intended to cover all provisions of the law.

What's New?

Conformity: South Carolina recognizes the Internal Revenue Code (IRC) as amended through December 31, 2019, except as otherwise provided. If IRC sections adopted by South Carolina that expired on December 31, 2019 are extended, but otherwise not amended, by congressional enactment during 2020, these sections are also extended for South Carolina purposes in the same manner that they are extended for federal Income Tax purposes.

2020 Legislative Update: A list of significant changes in tax and regulatory laws and regulations enacted during the 2020 legislative session is available at dor.sc.gov/policy.

Electronic Mandate: If you owe \$15,000 or more in connection with any SCDOR return, you must file and pay electronically according to SC Code Sections 12-54-250 and 12-54-210 found at dor.sc.gov/policy.

Abbreviated instructions:

- If all of the corporation's activities are in South Carolina, use Schedules A and B to make adjustments to federal taxable income to determine South Carolina taxable income. Then complete Part 1, page 1 to arrive at the income (loss) and compute the tax.
- Complete the SC1120TC for any nonrefundable credits and carry the totals to Schedule C.
- Complete line 14 of Schedule D and take the total stated capital amount to Part II, page 1 to compute the License Fee. Then complete the remainder of Schedule D.
- Corporations doing business in South Carolina and other states are required to allocate and apportion the federal taxable income after Schedule A and B adjustments.
 - Complete Schedule F to directly allocate dividends, capital gains on real estate, and income items not related to the business of the corporation.
 - Complete Schedule H to apportion the business income (loss) of the corporation. Manufacturers, retailers, and others dealing with tangible personal property generally use the sales apportionment method of Schedule H-1. Service providers, construction contractors, renters of real estate, and others not dealing with tangible personal property use the gross receipts apportionment method on Schedule H-2.
- After allocation and apportionment, complete Schedule G to arrive at the total South Carolina income (loss). Take the Schedule G amount to Part I, page 1 to compute the tax. Complete the SC1120TC for any nonrefundable credits and carry the totals to Schedule C.
- For License Fee purposes, take the total stated capital on line 14, Schedule D to Schedule E for apportionment. Take this amount as apportioned to Part II, page 1 to compute the License Fee.

Mailing requirements: To be considered timely, your return must be postmarked by the due date.

Income Tax Period Ending: The Income Tax period ending date for the South Carolina Corporate Tax return is the same as for your federal return. If you have elected for federal purposes to use a 52-53-week tax year that ends on the same day of the week nearest to the last day of the calendar month, indicate the last day of the calendar month as your end date for South Carolina purposes.

For example, if the federal 52-53 week ends on January 3, enter December 31. If you enter an incorrect date, you could receive a Failure to File Notice. The federal taxable income entered on Line 1, Part 1 is not affected.

License Fee Period Ending: This period is **one year** in advance of the Income Tax period. For instance, if the Income Tax period ends December 31, 2020, the License Fee period ends December 31, 2021.

Federal Employer Identification Number (FEIN): For the SCDOR to process your return, you must include your FEIN.

Name: Enter the name of the corporation.

Mailing Address: Enter the address to be used for all Corporate Income Tax correspondence.

FILING GUIDELINES

The SCDOR has identified several common errors that result in processing delays.

- We will not process a faxed or emailed return.
- A corporation that does not file an Application for Certificate of Authority with the South Carolina Secretary of State (SCSOS) must file an Initial Annual Report (CL-1) and pay a \$25 License Fee to the SCDOR within 60 days of initially doing business or using a portion of its capital in this state.
- You are required to file a South Carolina Corporate Tax return, regardless of activity, from the date the charter/authority is granted by the SCSOS through the date of voluntary dissolution or withdrawal. **Failure to file may result in administrative dissolution.**
- If any Corporate Income Tax or License Fee is due, you must make your payment and include the Application for Automatic Extension of Time to File Corporate Tax Return (SC1120-T) by the original due date. There is no extension for payment of Corporate Income Tax or License Fee. Any Income Tax or License Fee due must be paid by the due date to avoid late penalties and interest.

You can request your extension to file by paying your balance due on our free online tax portal, MyDORWAY, at 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.

If no Income Tax or License Fee is due and you have requested a federal extension, the federal extension will be accepted as a South Carolina extension if the Corporate Tax return is received within the time as extended by the IRS.

If you requested a federal or state extension, check the **Extension** box on the front of the return.

- Corporations filing a consolidated return should file a single South Carolina extension. A federal extension will be accepted if all corporations filing in South Carolina are included in one or more federal extensions.
- The period covered by the South Carolina Corporate Tax return must be the same as the period covered by the federal return in most instances. However, you should enter the **last day of the calendar month** as the end date if your 52-53 week tax year ends on a weekday nearest to the last day of the calendar month.
- The License Fee is calculated using Capital Stock and Paid-in or Capital Surplus. Do not use Retained Earnings in the calculation. The minimum License Fee is \$25.
- A consolidated return must include the calculation of a separate License Fee for the parent and each subsidiary. A separate annual report and profit-and-loss statement are also required using each member's own apportionment ratio.
- When claiming withholding, provide all necessary withholding statements (1099s, I-290s, W-2s). If the corporation uses a fiscal year, include a schedule showing payments made to South Carolina during the year. **You cannot use a K-1 to claim withholding.**
- To avoid a declaration penalty for underpayment of Corporate Tax, a corporation filing its first South Carolina Corporate Tax return or having federal taxable income of \$1 million or more in any of the previous three tax years must pay 100% of the tax shown on the current year tax return (or 100% of the tax if no return is filed). All other corporations must pay 100% of the current year or prior year tax.
- Corporations must use their FEIN on the South Carolina Income Tax return.
- Send appropriate forms with all payments. Make checks payable to SCDOR and include your name, FEIN, tax year, and type of tax in the memo line. **Do not send cash.**
- Close your business with the SCSOS before filing your final return with the SCDOR.
- Round all amounts to the nearest dollar.
- Corporations conducting business in South Carolina are subject to all corporate filing requirements set forth in the South Carolina Code of Laws.

Learn more about Corporate Income Tax at dor.sc.gov/tax/corporate.

Questions? We're here to help. Contact us at corptax@dor.sc.gov or 1-844-898-8542.

GENERAL INSTRUCTIONS

Filing Requirements: You are required to file if you are transacting or conducting business within South Carolina. See page 1 for the correct form to use for your organization. Insurance companies file with the South Carolina Department of Insurance. Homeowners associations and political organizations with no taxable income are not required to file an Income Tax return. Forms are available at dor.sc.gov/forms.

Attach a copy of your federal form and supporting schedules to each return.

Regardless of the activity of the corporation, you must file a return and pay the License Fee until the charter or qualification is canceled with the SCSOS.

Final return: Follow the steps listed below when filing a Final Return and ceasing to exist or when withdrawing from this state. When making an S election only, do not check the **Final** box on the front of the tax return.

1. A domestic corporation must file Articles of Dissolution with the SCSOS.
2. A corporation other than a domestic corporation must file an Application to Surrender Authority to do Business with the SCSOS.
3. After filing the Articles of Dissolution or Application to Surrender Authority to do Business, the corporation must file a final tax return by the 15th day of the fourth month (15th day of the third month if an S Corporation) after the end of the tax year. The final return must include a schedule showing the distribution of the assets to the stockholders.

If you owe tax and need an extension of time to file your Corporate Tax return, you must file the SC1120-T prior to the expiration of the filing period.

If you do not anticipate owing a tax or License Fee, and you requested an extension of time to file your federal Income Tax return, the SCDOR will accept a copy of the properly-filed federal extension as long as the Corporate Tax return is received within the extended time allowed by the IRS. Mark the **Extension** box on the front of the Corporate Tax return.

4. Check the **Final** box on the front of the return.

Basis of return: The taxable income as shown on your federal tax return is the basis of your South Carolina return, with certain adjustments for federal and state differences. Attach a copy of your federal return and all supporting schedules. The South Carolina gross income and taxable income of a corporation is the corporation's gross income and taxable income as determined under the Internal Revenue Code subject to the modifications required by state law.

When to file:

- a C Corporation must file its Income Tax return by the 15th day of the fourth month after the end of the tax year
- an S Corporation must file its Income Tax return by the 15th day of the third month after the end of the tax year
- a new C Corporation filing a short period return must generally file by the 15th day of the fourth month after the short period ends
- a new S Corporation filing a short period return must generally file by the 15th day of the third month after the short period ends

Request for extension to file: Request your extension to file by paying your balance due on our free online tax portal, MyDORWAY, at 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.

If filing the SC1120-T by paper, include your name, FEIN, tax year, and SC1120-T in the memo of the check. **Do not send cash.** Attach your payment to the SC1120-T and mail to: **SCDOR, Corporate Voucher, PO Box 100153, Columbia SC 29202.**

If you do not anticipate owing tax, and you requested an extension of time to file your federal Income Tax return, the SCDOR will accept a copy of your properly-filed federal extension as long as the Corporate Tax return is received within the extended time allowed by the IRS.

Corporations filing a consolidated return should file a single South Carolina extension. A federal extension will be accepted if all corporations filing in South Carolina are included in one or more federal extensions.

Check the **Extension** box on the front of the return if you have requested a South Carolina or federal extension.

There is no extension of time for payment of Corporate Income Tax or License Fee. Any Income Tax or License Fee due must be paid by the due date to avoid late penalties and interest.

An extension of time to file the SC1120 does not extend the Business Personal Property Return. File the Business Personal Property Return (PT-100) separately.

Declaration of Estimated Tax: Corporations must make Estimated Tax (or declaration) payments if their Estimated Tax (Income Tax less credits) is determined to be \$100 or more. Quarterly installments are due by the 15th day of the 4th, 6th, 9th, and 12th months of the tax year.

Use the Corporation Declaration of Estimated Income Tax (SC1120-CDP) to file and pay your quarterly Estimated Tax payments. Pay online using our free online tax portal, MyDORWAY, at dor.sc.gov/pay. Select **Business Income Tax Payment** to get started. Do not submit the SC1120-CDP if you pay online. If filing by paper, include your name, FEIN, tax year, and SC1120-CDP in the memo of the check. **Do not send cash.** Mail payment with the SC1120-CDP to **SCDOR, Corporate Voucher, PO Box 100153, Columbia, SC 29202**. Complete the Underpayment of Estimated Tax by Corporations (SC2220) to compute underpayment penalties. Forms are available at dor.sc.gov/forms.

Penalties and Interest: Calculate penalty and interest using the Penalty and Interest Calculator at dor.sc.gov/calculator. Avoid penalties and interest by filing and paying the tax when it is due.

- South Carolina Code Section 12-54-210 requires a corporation to keep books, papers, memoranda, and records, plus render statements, make returns, and comply with regulations as SCDOR prescribes. If a corporation fails to comply with the provisions of this section, a failure to comply penalty must be added, not to exceed \$500 for the period covered by the return in addition to other penalties provided by law.
- If a corporation fails to file its tax return when due (including any extensions), it will be subject to a failure to file penalty. The penalty will be 5% of the tax due per month, up to 25% total. The penalty is calculated on the tax due on the return less any amounts paid on or before the due date. The SCDOR may also assess a late filing penalty of up to \$500.
- If a corporation owes \$15,000 or more in connection with any SCDOR return, it must file and pay electronically for that return and any future tax return filed with SCDOR. If it does not file and pay electronically, it will be assessed a \$500 penalty.
- If a corporation fails to pay tax by the due date, a failure to pay penalty must be added to the tax. The penalty will be 0.5% of the tax per month, up to 25%.
- If a corporation underpays its tax liability and the underpayment is due to negligence or disregard of regulations, it will be charged a negligence penalty of 5% of the underpayment plus 50% of the interest payable.
- If a corporation substantially understates its tax, it will be charged a substantial understatement penalty of 25% of the understatement. A substantial understatement is the greater of 10% of the tax liability or \$10,000. In the case of an S Corporation or a personal holding company, a substantial understatement is the greater of \$5,000 or 10% of the tax liability.
- If a corporation fails to pay the tax due, it will be charged interest at the rate provided under IRC Sections 6621 and 6622. The interest will be calculated on the full amount of tax or portion thereof, not including penalties, from the time the tax was due until paid in its entirety.

Amended returns: To amend a previously-filed SC1120 or SC1120S, complete a new form and check the **Amended** box on the front of the return. Include an explanation of the adjustments, a copy of the federal 1120X, and a copy of the original return filed with the amended return. If you do not provide a copy of your original return, your amended return cannot be processed. The amended return must be submitted within 36 months from the date the original return was filed or due to be filed, whichever is later, as required by SC Code Section 12-54-85.

Amended South Carolina return required based on IRS audit: Once the IRS has completed its audit, a corporation has 180 days to file an amended return with the SCDOR. The signed and dated IRS forms 4549 and 870 must be included with the amended return, along with the 1574 letter if available. Include an explanation of the adjustments and a copy of the original return with the amended return. If you do not provide a copy of your original return, we cannot process your amended return.

Consolidated returns: A consolidated return is a single Income Tax return filed by two or more corporations subject to Corporate Income Tax. On a consolidated return, income or loss is determined separately for each corporation and combined and reported on a single return for the controlled group. Credits and credit carryforwards are used on a consolidated basis.

An S corporation may NOT participate in a consolidated return.

A consolidated return may be filed on behalf of:

- a parent and one or more substantially-controlled subsidiaries, or
- two or more corporations under substantially the entire control of the same interest.

Substantial control means ownership by one corporation of 80% or more of the total combined voting power of all classes of stock of the other corporations. Check the **Consolidated Return** box on your SC1120 and complete Schedule J and Schedule M as required. The Schedule M must have all three parts completed. The totals should match the figures reported on page 1 of the return.

All corporations included in a consolidated return or combined return must use the same accounting year.

If you elect to file a consolidated return, you must make your election on an original, timely-filed return. You cannot change your election to file a consolidated return after the return is filed. Once an election is made, it must be adhered to on all subsequent returns until the SCDOR grants permission to file separate returns.

A multi-state corporation must compute and use a separate apportionment ratio in arriving at the South Carolina taxable income and License Fee for each entity included in the consolidation.

The following is an example of a multi-state consolidated return:

Income Calculation			
Corporation	Taxable Income	SC Apportionment Ratio	SC Taxable Income (Column 1 x Column 2)
A	45,000	80%	36,000
B	(15,000)	90%	(13,500)
Total SC Taxable Income			22,500

License Fee Calculation			
Corporation	Total Stated Capital	SC Apportionment Ratio	License Fee (SC Capital x .001 + 15) Not less than \$25
A	150,000	80%	135
B	1,000	90%	25
Total SC License Fee			160

Include a **pro forma federal return** rather than the actual federal return if:

- the federal consolidated group is not the same as the South Carolina consolidated group, or
- if the federal consolidated group does not apply because only one of the corporations included in the federal filing is subject to South Carolina tax.

Attach a copy of pages 1-6 of the federal return and the federal Form 851, Affiliations Schedule.

Transfers to a corporation controlled by the transferor: If a person receives stock or securities of a corporation in exchange for property and does not recognize a gain or loss under IRC Section 351, the person (transferor) and the transferee must attach the same information as required by Internal Revenue Regulation 1.351-3.

Signature: The return must be signed by an officer of the corporation who is duly authorized to make the report on behalf of the corporation. Print the officer's name under the signature.

The signature section of the return contains an authorization for release of confidential information. A check in the **Yes** box authorizes the SCDOR Director or delegate to discuss the return, its attachments, and any notices, adjustments, or assessments with the preparer.

Accounting Method: Use the same method of accounting under this chapter for federal Income Tax purposes. If your method of accounting is changed for federal Income Tax purposes, the method of accounting for South Carolina Income Tax purposes must also be changed.

- Provide the SCDOR with a copy of the written permission form received from the IRS. When written permission is not required to change a method of accounting, provide the SCDOR with a copy of the election or statement provided to the IRS.
- Make necessary adjustments to federal taxable income by adding or subtracting South Carolina changes resulting from the change in accounting method.

Definitions:

- **Tangible property** is real property and corporeal personal property. It does not mean money, bank deposits, shares of stock, bonds, credits, evidences of debt, choses in action, or evidences of an interest in property.
- **Intangible property** is all property other than tangible property.
- **Income year** is the calendar year or the fiscal year used as the basis to compute federal net income.
- **Fiscal year** is an income year ending on the last day of any month other than December.
- **Received** for the purpose of the computations of net income under this chapter means received or accrued.
- **Received and accrued** is defined based on the method of accounting used to compute net income.
- **Foreign corporation** is any corporation chartered outside of South Carolina.
- **Domestic corporation** is a corporation chartered in South Carolina.
- **Property having an actual situs in this state** includes real property physically located within this state and personal property of a bona fide resident of this state wherever situated.

- **Resident corporation** is a corporation whose principal place of business is located within this state.
- **Non-resident corporation** is any corporation other than a resident corporation.

All of the various terms defined in Sections 7701-7703 of the Internal Revenue Code have the same meaning for South Carolina Income Tax purposes, unless a different meaning is clearly required.

Policy resources: The SCDOR issues policy documents on a variety of tax related topics. Some documents which may be of interest to corporate taxpayers are:

- New Jobs Credit: County Rankings - SC Information Letter
- New Jobs Credit: Computation and Examples - SC Revenue Ruling #99-5
- Per Capita Income of Counties - SC Information Letter
- Quarterly Interest Rate - SC Information Letter
- Policy Document Index - SC Information Letter
- Single Member Limited Liability Company - SC Revenue Ruling #98-11
- Nexus for Income Tax (Geoffrey Implications) - SC Revenue Ruling #08-1
- Public Law 86-272 and South Carolina Income Tax - SC Revenue Ruling #97-15
- License Fee Based on Capital Stock and Paid-In or Capital Surplus - Computation and Proration Questions: SC Revenue Ruling #05-11
- SC Tax Incentives for Economic Development (Publication)

Policy documents are available at dor.sc.gov/policy.

Use Tax: If you buy goods from out-of-state and bring those goods into South Carolina, you owe 6% state Use Tax (or applicable rate if you operate in a county with a local tax). The Use Tax is complementary to the Sales Tax. If you paid Sales Tax to another state, you are allowed a credit for the tax you already paid equal to the amount due in South Carolina.

For example, if you bought goods in North Carolina and paid 6% Sales Tax there, you would not owe Use Tax to South Carolina. If you operate in a local option tax county, then you would owe an additional Local Tax depending on the county.

For corporations, Use Tax is usually paid under the corporation's Sales Tax License or Use Tax Registration Number. If your corporation makes regular purchases of goods from out-of-state for use in South Carolina, you should obtain a Use Tax Registration Number. For assistance, contact the SCDOR Registration Section at **1-844-898-8542**. Learn more about Use Tax at dor.sc.gov/tax/use.

LINE INSTRUCTIONS

Check boxes: Check all boxes that apply.

If you have a change of **Address**, **Accounting Period**, or **Officers**, mark the appropriate box.

Check the **Extension** box to let us know if you filed a federal or state extension.

Check the appropriate box to let us know if the return is an **Initial Return**, **Consolidated Return**, **Amended Return**, or if the return **Includes Disregarded LLCs**. You must complete Schedule M if this is a consolidated return. You must complete Schedule L if this return includes disregarded LLCs. If you do not include a complete Schedule M or Schedule L, you could receive Failure to File notices for the corporations or LLCs not included.

Check the box if the corporation is **Merged**, **Reorganized**, or if the return is the **Final** return for the corporation.

Check the box to let us know if the corporation was included in a federal consolidated return for this tax year. If **Yes**, enter the **name** and **FEIN** of the federal parent company. Include pages 1-6 of the consolidated federal return and a copy of the federal Form 851, Affiliations Schedule, with your return.

Total gross receipts: Enter the amount from Line 1c of your federal Form 1120 or 1120S. If there is no entry for Line 1c, enter total income from all other sources.

Total cost of depreciable personal property in SC: Enter the total original cost of furniture, fixtures, machinery, equipment, and vehicles. Do not deduct depreciation.

If filing a consolidated return, enter the total cost of these respective amounts for all members of the consolidated group. Attach a schedule showing the separate amounts for each corporation.

County or counties in SC where the corporation's property is located: Enter the county or counties in SC where the corporation's property is located.

Audit location: Enter the street address of the audit location.

Audit contact: Enter the name and phone number of the audit contact.

SC1120 C CORPORATION INSTRUCTIONS
PART I: COMPUTATION OF INCOME TAX LIABILITY

Line 1: Enter the amount of taxable income from your federal tax return.

Line 2: Complete Schedule A and B, page 2, and enter the net adjustment amount from line 12.

Some of the **additions** to federal taxable income are:

- Interest on other states' obligations. (Interest on obligations from this state and any of its political subdivisions is exempt).
- State and local Income Taxes, state and local Franchise Taxes measured by net income, any Income Taxes, or any taxes measured by or with respect to net income.
- South Carolina law allows the same depletion as IRC Sections 611 through 613. A corporation that allocates or apportions income has the option of adding back depletion before apportionment and of deducting depletion after apportionment on mines, oil and gas wells, and other natural deposits located in this state. The allowances may not exceed 50% of the net income apportioned to South Carolina.
- Any taxpayer who is reporting income or deducting expenses over a time period as a result of a change of accounting method or accounting year must continue to report income or deduct expenses in the manner provided in the Internal Revenue Code and approved by the IRS. When the authorized adjustment period expires, continue to report the remaining income or expenses for South Carolina purposes until they have been fully reported or deducted.
- Transitional adjustment on items of prepaid income or deferred expenses. (See the instructions on Accounting Method and attach a schedule showing how the addition was derived).
- Federal net operating losses are additions to income.
- Reduce the basis of certain property to the extent the Corporate Headquarters Credit (SCH. TC-8) is claimed. Make an addition for the resulting reduction in depreciation.
- Reduce the basis of qualifying property to the extent the Economic Impact Zone or Capital Investment Credit (SCH. TC-11) is claimed. Make an addition to federal taxable income for the resulting reduction in depreciation.
- You are not allowed a deduction for donations to a nonprofit South Carolina corporation providing child care services to your employees if you claim a child care program credit (SCH. TC-9) for the donations. Add the disallowed deductions to federal taxable income.
- Reduce the deduction for wages paid by the amount of credit claimed for wages paid to employees terminated due to base closure or due to federal facility reduction in force (SCH. TC-10). Add the amount of the credit to federal taxable income.
- South Carolina does not recognize the federal election for special taxation of income from qualifying shipping activities provided in IRC Section 1354. Add back the income taxed at the special rate.

Some of the **deductions** from federal taxable income are:

- The "gross-up" of dividends received from a Foreign Corporation located outside of the US required by a domestic US corporation electing the foreign tax credit as provided for in IRC Section 78 is subtracted from federal net taxable income.
- Reduction in depreciable property due to investment credit election will result in an ordinary expense for South Carolina purposes.
- If a corporation disposes of an asset that has a different South Carolina basis and federal basis, adjust South Carolina gain or loss to reflect the difference in the basis of the assets.
- Transitional adjustment for items of prepaid income or deferred expenses. (See the instructions for Accounting Method and attach a schedule showing how the deduction was derived.)
- If a taxpayer is reporting income from the liquidation of a corporation under IRC Section 337 using the installment method of reporting or from an installment sale under IRC Section 453, and the corporation has previously reported all the gain for South Carolina tax purposes, then reduce South Carolina income by the amount of the installment gain.
- Subtract any salaries and wages that were reduced due to the federal jobs credit.
- Dividends received from foreign corporations (located outside of the US) that are included in federal taxable income may be reduced in the same manner that dividends received from domestic corporations are deducted under IRC Section 243.
- South Carolina does not recognize the limitation on business interest expense required by IRC Section 163 (j). Interest expense not allowed on the federal return is subtracted in arriving at South Carolina taxable income.

Special rules for certain federal items:

- South Carolina does not recognize any of the federal special depreciation allowances, including bonus depreciation, provided in IRC Section 168(k) through (n) or regional benefits provided in IRC Sections 1400 through 1400U-3. A taxpayer electing one or more of the special or regional depreciation allowances must have a separate depreciation schedule for South Carolina purposes. Add back the difference between federal depreciation and South Carolina depreciation for the tax year in which the property was placed in service. You will be able to claim an additional depreciation deduction for each remaining tax year of the property's depreciable life.
- South Carolina does not recognize the deferrable and ratable inclusion of either income arising from business indebtedness under IRC Section 108(i) or original issue discount of high yield discount obligations under IRC Section 163(e)(5)(F). The income is reported to South Carolina immediately. Income deferred for federal purposes is deductible in subsequent years for South Carolina purposes since it was already taxed in the first year.

Line 5: South Carolina recognizes the federal NOL with modifications as provided in SC Code Section 12-6-1130(4). South Carolina follows the federal NOL carryforward period, but no carrybacks are allowed.

Add the federal NOL back on Schedule A and subtract the South Carolina NOL on Schedule B. Do not make an adjustment on Schedule G for the NOL.

On line 5, enter the NOL carryover from previous years as a positive number. Subtract the NOL carryover (line 5) from the South Carolina net income (line 4) to arrive at the South Carolina income subject to tax (line 6).

Line 8: If a corporation has receipts from invoices issued by a seller directly to an unrelated purchaser outside the United States (foreign trade receipts) and wishes to defer state Income Tax, use the TD-1 to compute the deferred tax. Also include any deferred LIFO recapture tax based on IRC Section 1363.

Line 10: Enter the amount of nonrefundable credits being taken against Income Tax this year. This amount comes from line 5 of the SC1120TC.

Attach the SC1120TC and all supporting tax credit schedules to your tax return.

Line 12: South Carolina recognizes the shareholders deferral of foreign trade receipts by a Domestic International Sales Corporation (DISC). Multiply the deferred federal foreign trade income by 5% to determine the South Carolina deferred Income Tax liability.

The interest for South Carolina is calculated by using the same interest rate used on the federal form. Enter only the interest determined on line 12 of the SC1120. Also, enter the interest applicable to deferred tax on line 8.

Also include on line 12 any interest on tax attributable to payments received on installment sales of certain timeshares and residential lots. Write "Section 453(l)(3)" to the left of the amount. Attach a statement showing the computations.

Line 14(a): To get credit for withholding done on your behalf, attach all I-290s and federal W-2s and 1099s. South Carolina K-1s or partnership statements will not be accepted as withholding verification. If you are a fiscal year taxpayer, include a schedule of amounts withheld on a monthly basis.

Line 14(b): Enter the total of prior year overpayments and all estimated payments made during the year.

Line 14(g): 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 I-385 instructions, available at dor.sc.gov/forms and SC Revenue Ruling #17-6, available at dor.sc.gov/policy for detailed information concerning the credit.

Line 17: See the instructions on page 4 or use the Penalty and Interest Calculator at dor.sc.gov/calculator.

Line 19: If line 15 is larger than line 18, enter the overpayment amount and indicate how it is to be applied.

PART II COMPUTATION OF LICENSE FEE

The License Fee is required for:

- every corporation organized under the laws of the state of South Carolina
- every corporation organized to do business under the laws of another state, territory, or country that is qualified to do business in South Carolina
- any other corporation required to file an Income Tax return that is listed as not being exempt.

The following companies are exempt from License Fee requirements:

- corporations organized for tax exempt purposes and exempt from Income Tax pursuant to IRC Section 501
- volunteer fire departments and rescue squads
- cooperatives under Chapters 45 and 47 of Title 33 of the South Carolina Code of Laws
- building and loan associations or credit unions conducting a strictly mutual business
- insurance, fraternal, beneficial, or mutual protection insurance companies
- foreign corporations whose entire income is not included in gross income for federal Income Tax purposes due to any treaty obligation of the United States
- homeowners' associations within the definition of IRC Section 528(c)(1) and filing federal Form 1120-H
- community development entities certified by the Department of Treasury
- political organizations as defined in IRC Section 527
- REITs (real estate investment trusts) organized as trusts and taxed under IRC Section 857 (**not** REITs organized as corporations and taxed under Subchapters C or S of the Internal Revenue Code)

Compute the License Fee on the total capital stock and paid in or capital surplus. **Paid in or capital surplus** means the entire surplus of a corporation other than earned surplus.

On a consolidated return, the License Fee is measured by the total capital and paid in surplus for each corporation considered separately without offset for investment of one corporation in the capital or surplus of another corporation in the consolidated group. Do not file separate returns paying the License Fee if you are filing a consolidated return for Income Tax purposes.

The License Fee for a bank holding company, a savings and loan holding company, or an insurance holding company is measured by the capital stock and paid in surplus of the holding company minus the capital stock and paid in surplus of any bank, savings and loan association, or insurance company that is a subsidiary of the holding company.

A corporation may prorate its License Fee when its tax year is changed and a return of less than twelve months is required. This proration applies only to short periods due to a change in accounting period and does not apply to short periods due to initial or final returns. The prorated License Fee cannot be less than \$25 per return. A License Fee is not generally required on final returns. Refer to SC Revenue Ruling 05-11, available at dor.sc.gov/policy.

Express, street railway, navigation, waterworks, power, light, gas, telegraph, and telephone companies must file an SC1120U, Public Utility Tax Return. Electric cooperatives must file an Annual Report of Electric Cooperative Corporation Property and Gross Receipts (CL-4). The License Fee for these companies is based on gross receipts from regulated business and South Carolina property used in the conduct of business instead of capital stock and paid in capital.

Line 20: Enter the total capital and paid in surplus. If the corporation is subject to apportionment, complete Schedule E and enter the amount.

Line 21: Multiply the total capital and paid in surplus by 0.001, then add \$15. The License Fee cannot be less than \$25. For a consolidated taxpayer, apply the above computation to each corporation in the consolidated group and then total them. The License Fee for each of the corporations cannot be less than \$25.

Line 22: Enter the amount of nonrefundable credits being taken against the License Fee tax this year. This amount comes from Part II, Column C of your SC1120TC.

Attach your SC1120TC and all supporting tax credit schedules to your tax return.

Line 24: Enter any amount paid with an extension or transferred from the declaration of taxes.

Line 25: Enter the total payments for the License Fee.

Line 27: See the instructions on page 4 or use the Penalty and Interest Calculator at dor.sc.gov/calculator.

Line 29: If line 25 is larger than line 28, enter the overpayment amount and indicate how the overpayment is to be applied.

SCHEDULE A: ADDITIONS TO FEDERAL TAXABLE INCOME

Refer to the instructions for line 2.

SCHEDULE B: DEDUCTIONS FROM FEDERAL TAXABLE INCOME

Refer to the instructions for line 2.

SCHEDULE C: SUMMARY OF INCOME TAX CREDITS

Complete the SC1120TC and enter the totals. You must attach your SC1120TC along with all supporting tax credit schedules. See the SC1120TC for more information on tax credits.

SCHEDULE D: ANNUAL REPORT

Complete all information requested, including a list of directors and principal officers. Only officers listed on Schedule D will be considered authorized to act on behalf of the corporation.

SCHEDULE E: COMPUTATION OF LICENSE FEE OF MULTI-STATE CORPORATIONS

Enter the total capital and paid in surplus on line 1. Multiply line 1 by the apportionment ratio from Schedule H-1, H-2, or H-3, as appropriate.

SCHEDULE F: INCOME SUBJECT TO DIRECT ALLOCATION

Definitions:

- **Income from property not connected with the business** means income other than income from property connected with the business.
- **Principal place of business** means the domicile of a corporation. If none of the business of the corporation is conducted in the state of domicile, the SCDOR will determine, based on the available evidence, the principal place of business.
- **Related expenses** means any cost incurred, directly or indirectly, in connection with the investment for the production of allocable income.

Line 1: Allocate interest from intangible property not connected with the taxpayer's business, less all related expenses, to the corporation's principal place of business.

Line 2: Allocate dividends received from corporate stock not connected with the taxpayer's business, after the dividends received deduction under IRC Section 243 and less all related expenses, to the corporation's principal place of business.

Line 3: Allocate rents received from the lease or rental of real or tangible personal property and royalties from tangible property that were not used in or connected with the taxpayer's business, less all related expenses, to the state where the property is located.

Line 4: Allocate gains or losses from the sale of real property to the state where the property is located.

Line 5: Allocate gains or losses from the sale of intangible personal property not connected with the taxpayer's business, less all related expenses, to the corporation's principal place of business.

Line 6: Allocate any other investment income, less all related expenses, which is not included in the net apportionable income because it is unrelated to the taxpayer's business, to the state where the business situs of the investment is located. Apportion the income if the business situs of the investment is partly within and partly outside of South Carolina.

Attach an explanation for income that is not allocated to South Carolina.

SCHEDULE G: COMPUTATION OF TAXABLE INCOME OF MULTI-STATE CORPORATIONS

Only multi-state businesses complete Schedule G.

Line 1: Enter the amount of total net income as reconciled from your SC1120, page 1, line 3.

Line 2: Enter the amount of income directly allocated from Schedule F, line 7.

Line 3: Subtract line 2 from line 1. This is your net income subject to apportionment.

Line 4: Multiply line 3 by the appropriate ratio from H-1, line 3; H-2, line 7; or H-3, line 3.

Line 5: Enter the amount of income directly allocated to South Carolina from Schedule F, line 8.

Line 6: Add line 4 and line 5. This is your total South Carolina net income. Enter this amount on your SC1120, line 4.

APPORTIONMENT

Taxpayers doing business in South Carolina and other states must apportion the income remaining after allocation using the sales factor on Schedule H-1, the gross receipts factor on Schedule H-2, or one of the special methods on Schedule H-3.

Sales and gross receipts include, but are not limited to:

- receipts from the sale or rental of property to customers in the ordinary course of the taxpayer's business, including inventory
- receipts from the sale of accounts receivable acquired in the ordinary course of business. Receivables must be for services, sales, or rentals in the ordinary course of the taxpayer's business. The accounts receivable must have been created by the taxpayer or a related party. A related party includes a person bearing a relationship to the taxpayer as described in IRC Section 267.
- receipts from the use of intangible property in the state, including royalties from patents, copyrights, trademarks, and trade names
- net gain from the sale of property used in the trade or business. Property used in the trade or business means property subject to the allowance for depreciation, real property used in the trade or business, and intangible property used in the trade or business which is:
 - a. not property that would be includible in the inventory of the business if on hand at the end of the tax year, or
 - b. held by the business primarily for sale to customers in the ordinary course of the trade or business
- receipts from services if the entire income-producing activity is within the state. If the income-producing activity is performed partly within and partly outside of South Carolina, sales are attributable to the state to the extent the income-producing activity is performed within South Carolina.
- receipts from the sale of intangible property which cannot be attributed to any particular state or states are excluded from the numerator and the denominator of the factor
- the proportion of receipts from the operation of cable systems, video services, and direct satellite services that are attributable to the cost of performing services in South Carolina. Costs of performing the service include acquiring programming distribution rights and constructing and maintaining distribution infrastructure.

Sales and gross receipts do not include:

- repayment, maturity, or redemption of the principal of a loan, bond, or mutual fund or certificate of deposit or similar marketable instrument
- the principal amount received under a repurchase agreement or other transaction properly characterized as a loan
- proceeds from the issuance of the taxpayer's stock or from sale of treasury stock
- damages and other amounts received as the result of litigation
- property acquired by an agent on behalf of another
- tax refunds and other tax benefit recoveries
- pension reversions
- contributions to capital, except for sales of securities by securities dealers
- income from forgiveness of debt
- amounts realized from exchanges of inventory not recognized by the Internal Revenue Code

Refer to SC Code Section 12-6-2295 for more information about sales and gross receipts.

SCHEDULE H-1: COMPUTATION OF SALES RATIO

A multi-state taxpayer must use a sales-only factor to apportion to South Carolina the net income remaining after allocation if their principal business in South Carolina is:

- a. manufacturing or any form of collecting, buying, assembling, or processing goods and materials within South Carolina, or
- b. selling, distributing, or dealing in tangible personal property within South Carolina

The sales factor is a fraction in which the numerator is the total sales of the taxpayer in South Carolina during the tax year and the denominator is the total sales of the taxpayer everywhere during the tax year. The term **sales in South Carolina** includes sales of goods, merchandise, or property received by a purchaser in South Carolina. Goods are considered received by the purchaser after all transportation has been completed. Direct delivery into South Carolina by the taxpayer to a person designated by a purchaser is considered delivery to the purchaser in South Carolina.

Sales of tangible personal property to the US government are not included in the numerator or the denominator of the sales factor. Only sales for which the US government makes direct payment to the seller based on the terms of a contract are considered sales to the US government.

Line 1: Enter the sales attributable to South Carolina

Line 2: Enter the total sales from everywhere.

Line 3: Divide line 1 by line 2 and enter the result. This is your SC apportionment percentage using the sales factor method.

If a sales factor does not exist, apportion income (loss) to the corporation's principal place of business.

SCHEDULE H-2: COMPUTATION OF GROSS RECEIPTS RATIO

If a taxpayer's principal profits or income are derived from sources other than manufacturing, producing, collecting, buying, assembling, processing, selling, distributing, or dealing in tangible personal property, the taxpayer must apportion income to South Carolina using a gross receipts factor. This is the ratio of gross receipts from within the state during the income year to the total gross receipts of such year within and outside of the state.

Examples of corporations subject to a gross receipts method of apportionment include:

- construction contractors
- service companies other than public service corporations
- corporations primarily engaged in rental real estate activities

Public service corporations, utilities, and electric cooperatives should use Schedule H-3 to apportion income.

Line 1: Enter your total gross receipts from within South Carolina.

Line 2: Enter amounts included in line 1 that were directly allocated to South Carolina.

Line 3: Subtract line 2 from line 1. These are your adjusted South Carolina gross receipts.

Line 4: Enter your total gross receipts from everywhere.

Line 5: Enter amounts included in line 4 that were directly allocated to South Carolina or to other states.

Line 6: Subtract line 5 from line 4. These are your total adjusted gross receipts.

Line 7: Divide line 3 by line 6 and enter the result. This is your South Carolina apportionment percentage using the gross receipts method.

SCHEDULE H-3: COMPUTATION OF RATIO FOR SECTION 12-6-2310 COMPANIES

Public service corporations apportion income remaining after allocation using the following factors:

- **Railroad companies** use a fraction in which the numerator is railway operating revenue from business done within South Carolina during the taxable year and the denominator is total railway operating revenue from all business done by the taxpayer. Records must be kept in accordance with the Uniform System of Accounts prescribed by the Interstate Commerce Commission.

If the SCDOR determines the accounting records of a taxpayer do not accurately reflect the division of revenue by state lines, the SCDOR may adopt rules and regulations to determine averages which reasonably approximate the proportion of interstate revenue actually earned upon lines in South Carolina.

Railway operating revenue from business done within South Carolina means railway operating revenue from business wholly within South Carolina, plus the equal mileage proportion within South Carolina of each item of railway operating revenue received from the interstate business of the taxpayer.

Equal mileage proportion means the proportion of the distance of movement of property and passengers over lines in South Carolina to the total distance of movement of property and passengers over lines of the taxpayer receiving the revenues.

Interstate business means railway operating revenue from the interstate transportation of persons or property into, out of, or through South Carolina.

- **Motor carriers of property and passengers** use a fraction in which the numerator is vehicle miles within South Carolina during the taxable year and the denominator is total vehicle miles everywhere during the taxable year.
- **Telephone service companies** use a fraction in which the numerator is gross receipts in South Carolina during the taxable year and the denominator is total gross receipts everywhere. Gross receipts in South Carolina includes gross revenues derived from services rendered wholly within South Carolina, plus the portion of the company's interstate revenues attributable to South Carolina based on the Federal Communications Standard Classification of Accounts.

- **Pipeline companies** use a fraction in which the numerator is the revenue ton miles, revenue barrel miles, or revenue cubic foot miles within South Carolina during the tax year, and the denominator is the total revenue ton miles, revenue barrel miles, or revenue cubic foot miles everywhere during the tax year.

Ton mile is one ton of solid property transported one mile.

Barrel mile is one barrel of liquid property transported one mile.

Cubic foot mile is one cubic foot of gaseous property transported one mile.

- **Airline companies** use a fraction in which the numerator is revenue tons loaded and unloaded in South Carolina during the tax year, and the denominator is revenue tons loaded and unloaded everywhere during the tax year.

Revenue ton is a short ton (2,000 pounds) computed by using a standard weight of 190 pounds per passenger (including free baggage) multiplied by the number of passengers loaded and unloaded, plus the tons of animal, express, and freight loaded and unloaded.

- **Shipping lines** use a fraction in which the numerator is revenue tons loaded and unloaded in South Carolina during the year and the denominator is revenue tons loaded and unloaded everywhere during the year.

Revenue ton is a short ton (2,000 pounds computed using a standard weight of 190 pounds per passenger (including free baggage) multiplied by the number of passengers loaded and unloaded.

SCHEDULE J: CORPORATIONS INCLUDED IN CONSOLIDATED RETURN

Each corporation included in a consolidated return must complete Schedule J.

SCHEDULE L: DISREGARDED LLCs INCLUDED IN RETURN

Each single-member limited liability company (LLC) that is not taxed as a corporation is not regarded as an entity separate from its owner for tax purposes. Provide on Schedule L the name and FEIN of each disregarded LLC doing business in or registered with South Carolina and included in the corporation's South Carolina return. List only those disregarded LLCs doing business in or registered with South Carolina and included in the corporation's South Carolina return. Include additional Schedule Ls as needed. Disregarded LLCs that are doing business in or are registered with South Carolina may receive a Failure to File notice from the SCDOR if they are not included on the Schedule L.

SCHEDULE M: CONSOLIDATED RETURN AFFILIATIONS SCHEDULE

A consolidated return may be filed by a parent corporation and subsidiaries over which it has substantial control (at least 80% ownership) or by two or more corporations under substantially the entire control of the same interest. S Corporations and corporations not subject to South Carolina Corporate Income Tax may not join in a consolidated return.

Your election to file a consolidated return or separate returns must be made on an original and timely-filed return. You cannot amend the return to change the consolidated group.

On Schedule M, check the **Yes** or **No** box if the parent corporation is included in the consolidated return. Provide the parent corporation's name and FEIN whether the parent corporation is included in the consolidated return or not.

Each corporation in the consolidated group computes its South Carolina income or loss, apportionment ratio, and License Fee separately. Enter the information on the Schedule M for each corporation included in the consolidated return. Include additional Schedule Ms as needed.

SCHEDULE N: PROPERTY INFORMATION

In Column 1, enter the value of property in South Carolina at the beginning of the tax year. In Column 2, enter the value of property in South Carolina at the end of the tax year. In each instance, include only South Carolina property and use the original value of the property, disregarding depreciation or expensing.

Line 1: Enter the value of all land.

Line 2: Enter the value of all buildings.

Line 3: Enter the value of all machinery and equipment.

Line 4: Enter the value of all construction in progress.

Line 5: Enter the value of all tangible personal property not entered above.

Total: Enter the totals of line 1 through line 5 for each column.

Description of line property: Individually list and describe each item of property included on line 5 and enter its beginning and end of the year values.

SC1120S S CORPORATION INSTRUCTIONS

Filing Requirements: Generally, a corporation with a valid S election doing business in South Carolina must file the S Corporation Income Tax Return (SC1120S). An S Corporation that has met the Transitional Rule requirements and elected to be treated as a C Corporation must file the C Corporation Income Tax Return (SC1120). Public utilities must file the Public Utility Tax Return (SC1120U).

LINE INSTRUCTIONS

Check boxes: Check all boxes that apply.

If you have a change of **Address, Accounting Period, or Officers**, mark the appropriate box.

Check the **Extension** box to let us know if you filed a federal or state extension.

Check the appropriate box to let us know if the return is an **Initial Return, Amended Return**, or if the return **Includes QSSSs** and/or **Disregarded LLCs**. Complete Schedule L if the return includes QSSSs or Disregarded LLCs.

Check the box if the corporation is **Merged, Reorganized**, or if the return is the **Final** return for the corporation.

Check the box to let us know if the corporation **has any shareholders who are nonresidents of South Carolina**.

Total gross receipts: Enter the amount from Line 1c of your federal Form 1120 or 1120S. If there is no entry for Line 1c, enter your total income from all other sources.

Total cost of depreciable personal property in SC: Enter the total original cost of furniture, fixtures, machinery, equipment, and vehicles. Do not deduct depreciation.

County or counties in SC where the corporation's property is located: Enter the county or counties in SC where the corporation's property is located.

Audit location: Enter the street address of the audit location.

Audit contact: Enter the name and phone number of the audit contact.

Number of nonresident shareholders: Enter the number of shareholders who are not residents of South Carolina.

Number of nonresident shareholders with an I-309 affidavit: Enter the number of nonresident shareholders who filed an I-309 affidavit.

Number of nonresident shareholders included in a composite return: Enter the number of nonresident shareholders who are included in a composite return.

PART I: COMPUTATION OF INCOME TAX LIABILITY

Line 1: Enter the total of federal Schedule K line 1 through line 10 income (loss) amounts.

Line 2: Enter the net amount of South Carolina adjustments to all of the income (loss) amounts included in the line 1 total. Additions to and subtractions from federal taxable income include the same adjustments possible for a C Corporation. It also includes excess net passive income under IRC Section 1375 when taxed on the federal return, built-in gains, and certain capital gains under IRC Section 1374 when taxed on the federal return.

Line 4: Multi-state S Corporations must use Schedule F and Schedule G to allocate and apportion income. Enter the total South Carolina net income amount from line 6 of Schedule G on line 4 of the SC1120S. If not a multi-state S Corporation, enter the amount from line 3.

Line 5: Subtract income on line 4 that is taxed to the shareholders. This is generally the same amount shown on line 4. However, any income subject to tax on the federal 1120S under IRC Sections 1374 and 1375 would not be subtracted on this line.

Line 6: Subtract line 5 from line 4. This is the amount of income taxed to the S Corporation.

Line 7: Multiply line 6 by 5%. South Carolina imposes a Corporate Tax on the excess net passive income and built-in gains added to federal income. Also include any deferred LIFO recapture tax under IRC Section 1363.

Line 8(a): Attach all I-290s along with federal W-2s and 1099s. South Carolina K-1s or partnership statements will not be accepted as withholding verification. If you are a fiscal year taxpayer, include a schedule of amounts withheld on a monthly basis. Only include amounts withheld on the S Corporation's behalf. Do not include amounts withheld for shareholders reported on the SC1120S-WH.

Line 8(b): Include the total of prior year overpayments and estimated payments.

Line 14(g): 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, or the preventative maintenance costs you incurred in South Carolina during the tax year. Refer to the I-385 instructions available at dor.sc.gov/forms and SC Revenue Ruling #17-6 available at dor.sc.gov/policy for detailed information concerning the credit.

Reminders:

- S Corporations do not have a net operating loss carryover. The losses flow through to the shareholders each year.
- Deferral of income and tax on foreign trade receipts flow through to the shareholders of an S Corporation. Interest is also paid by the shareholders. If applicable, give a schedule of details.

PART II: COMPUTATION OF LICENSE FEE

An S Corporation pays the same License Fee as a C Corporation. For tax purposes, Qualified Subchapter S Subsidiaries (QSSSs) are treated as part of the S Corporation parent, and the parent corporation pays the Corporate License Fee. List the Qualified Subchapter S Subsidiaries (QSSS) on Schedule L of the SC1120S.

SCHEDULES A THROUGH N

Except as indicated below, follow the SC1120 instructions for C Corporations.

SCHEDULE SC-K WORKSHEET

This schedule is used to make South Carolina adjustments to federal Schedule K items and to show the amount of these items that are apportioned or allocated to South Carolina. Column B amounts are the same as shown on federal Schedule K. In Column C, account for differences between South Carolina and federal law. Column C adjustments include the same adjustments possible for a C Corporation. The items appearing at numbers 1 through 10 on the federal Schedule K are generally classified as business related using South Carolina apportionment and allocation rules. Column D includes the total of Column B and Column C.

If the S Corporation has multi-state operations, all Column D items are directly allocated on Schedule F or apportioned according to the ratio from Schedule H-1, H-2, or H-3. Column E amounts are not taxable to South Carolina. Column F amounts are taxable to South Carolina.

The total of line 1 through line 10 of Schedule SC-K Worksheet, Column F should equal the amount shown on line 5 of page 1.

Line 11 through line 12d: If the S Corporation has multi-state operations, multiply the amounts in Column D by the apportionment ratio determined in Schedule H to arrive at the amount in column F.

Nonrefundable credits: Distribute to shareholders in proportion to shares held.

Information to be furnished to shareholders: Shareholders who are **residents of South Carolina** must be provided with the total amount of their proportionate share of the following items:

1. South Carolina adjustments from Schedule SC-K worksheet, Column C, and
2. Schedule SC-K worksheet column E amounts that are allocated or apportioned to states other than South Carolina.

This total amount is the shareholder's **S Corporation modification** to federal taxable income.

Shareholders who are **nonresidents of South Carolina** must be provided with their share of the Schedule SC-K Worksheet, Column F items. These amounts are reportable to the state of South Carolina.

S Corporations receiving rental and other passive activity income and losses based on IRC Section 469, from investments located within and outside of South Carolina, must furnish shareholders with details for proper reporting of these amounts. Similar information must be furnished to shareholders who did not materially participate in the trade or business of an S Corporation with multi-state operations. (Such shareholders may have nondeductible passive losses which cannot offset interest and other business-related portfolio income apportioned to South Carolina.)

SCHEDULE L: QSSSs AND DISREGARDED LLCs INCLUDED IN RETURN

For tax purposes a qualified subchapter S subsidiary (QSSS), as defined in IRC Section 1361(b)(3)(B), is not regarded as an entity separate from the S Corporation that owns the stock of the QSSS. On the top portion of Schedule L, provide each QSSS's name and FEIN.

Each single-member LLC that is not taxed as a corporation is not regarded as an entity separate from its owner for tax purposes. On the bottom portion of Schedule L, provide the name and FEIN of each disregarded LLC doing business in or registered with South Carolina and included in the corporation's South Carolina return. List only those disregarded LLCs doing business in or registered with South Carolina and included in the corporation's South Carolina return.

Include additional Schedule Ls as needed.

QSSSs and disregarded LLCs that are doing business in or are registered with South Carolina may receive a failure to file notice from the SCDOR if they are not included on the Schedule L.

NONRESIDENT SHAREHOLDER WITHHOLDING

S Corporations are required to annually withhold 5% of the South Carolina taxable income of shareholders who are nonresidents of South Carolina. Pay the Income Tax withheld to the SCDOR with the SC1120S-WH by the 15th day of the third month following the end of the tax year. By the same date, you must provide nonresident shareholders a 1099-MISC with **South Carolina Only** written at the top showing the amounts of income and tax withheld. Attach a schedule to the SC1120S-WH showing the name, address, tax identification number, South Carolina taxable income, and tax withheld for each nonresident shareholder.

S Corporations requesting an extension of time to file SC1120S must estimate the South Carolina taxable income of nonresidents and file the SC1120S-WH by the 15th day of the third month following the end of the year, paying 5% withholding on the estimated taxable income. **There is no extension of time for filing the SC1120S-WH or paying the amount due.**

Nonresident shareholders must attach a copy of the 1099-MISC to their Income Tax returns to claim credit for the withholding. A nonresident shareholder may provide the S Corporation with an I-309 affidavit agreeing to be subject to the jurisdiction of the SCDOR and the South Carolina Courts for purposes of determining and collecting South Carolina tax, interest, and penalties which may be due. Find the I-309 affidavit at dor.sc.gov/forms. The S Corporation is not required to withhold Income Tax on behalf of a shareholder who submits an I-309 affidavit. Attach the completed affidavits to the SC1120S-WH. If an affidavit has previously been filed it should not be resubmitted. S Corporations with no South Carolina taxable income for the year are not required to file the SC1120S-WH.

S Corporations that report the income of their nonresident shareholders on a composite return are not required to withhold tax, file the SC1120S-WH, or file affidavits.

COMPOSITE FILING

A composite return is a single nonresident Individual Income Tax return (SC1040 with Schedule NR attached) filed by an S Corporation that computes and reports the income and tax of its nonresident shareholders. The return is due by the 15th day of the fourth month following the shareholder's taxable year end. Any tax due is paid along with filing the return.

The S Corporation does not need to withhold on behalf of any shareholder participating in a composite return. For more information, see SC Revenue Procedure #17-2 available at dor.sc.gov/policy.

The tax due on a composite return is subject to the declaration of Estimated Tax rules. Estimated Tax is paid by the S Corporation, not by the shareholders participating in the composite return. See the SC1040ES and instructions available at dor.sc.gov/forms.

Enter the name, address, and FEIN of the S Corporation in the heading of the composite return. Do not use "Composite Return for" or "Shareholders of" in the name. Mark the **Composite Return** box. Select the **Single** filing status on the front of SC1040. Two methods are available for calculating tax on a composite return:

1. Compute each participating shareholder's Income Tax separately as if the shareholder were separately reporting income on a nonresident return; OR
2. Compute each participating individual's entire share of SC income without considering deductions.

Under either method, add the individual liabilities together to arrive at a total tax. Attach a schedule showing the separate computations. Add the separate tax amounts and enter the total on line 6 of the SC1040.

A shareholder that participates in a composite return will not receive the benefit of any federal deductions and will owe tax at a rate of 7% on any income that does not qualify as active trade or business income, unless the shareholder completes a Composite Return Affidavit (I-338) stating that they have no other income taxable to South Carolina. See the Composite Filing Instructions (I-348) available at dor.sc.gov/forms for more information.

To extend the time allowed for filing a composite return, file the Request for Extension of Time to File (SC4868) using the name and FEIN of the S Corporation. Mark the **Composite** box. Do not use the SC1120T to extend the composite return. The tax due must be estimated and paid along with filing the extension by the 15th day of the fourth month following the end of the shareholder's taxable year.

EXAMPLE: MULTI-STATE S CORPORATION:

XYZ Corporation, a South Carolina S Corporation, does business in South Carolina and Georgia. XYZ has the following income and deductions:

- dividend income of \$1,000, received from corporate stock not connected with XYZ's business
- long-term capital gain of \$2,000 from the sale of South Carolina real estate
- ordinary business income of \$60,000
- cash charitable contribution of \$4,000

XYZ Corporation has two shareholders - Mr. X who resides in South Carolina and owns 70% of the stock and Ms. Y who resides in Georgia and owns 30%. The dividend of \$1,000 is allocated to the respective domiciles of the individual taxpayers because it is not connected with the taxpayer's business. The long-term capital gain from the sale of real estate of \$2,000 is allocated to the state it is located in (South Carolina). The apportionment rates for the two states have been computed to be 60% for South Carolina and 40% for Georgia. The ordinary business income and the charitable contribution are apportioned per South Carolina law based on the apportionment rates.

TRANSACTIONS	TRANSACTION AMOUNT	60% APPORTIONED TO SC	ALLOCATED	MR. X'S SC SHARE (70%)	MS. Y'S SC SHARE (30%)	MS. Y'S OTHER STATE
Ordinary business income	60,000	36,000		25,200	10,800	
Dividend income	1,000		1,000	700	0	300
Long-term capital gain	2,000		2,000	1,400	600	
Charitable contribution	4,000	2,400		1,680	720	

Note: Dividends **not connected** with the taxpayers' business are allocated to the domicile of an individual taxpayer. Dividends **connected** with the taxpayers' business are subject to apportionment.

PART I COMPUTATION OF INCOME TAX LIABILITY				
1.	Total of line 1 through 10, Schedule K of the federal 1120S	▶	1.	63,000 00
2.	Net adjustment from Schedule A and B, line 15		2.	< 0 > 00
3.	Total net income as reconciled (add line 1 and line 2)	▶	3.	63,000 00
4.	If multi-state corporation, enter amount from Schedule G, line 6; otherwise, enter amount from line 3.	▶	4.	38,700 00
5.	Income on line 4 taxed to shareholders of S Corporation		5.	< 38,700 00 >
6.	South Carolina net income subject to tax (subtract line 5 from line 4)	▶	6.	00
7.	Tax (multiply line 6 by 5%)		7.	00
8.	Payments: (a) Tax withheld (attach 1099s, I-290s, and/or W-2s)	▶	8a.	00
	(b) Paid by declaration	▶	8b.	00
	(c) Paid with extension	▶	8c.	00
	(d) Credit from Line 23b	▶	8d.	00
	Refundable Credits: (e) Ammonia Additive	▶	8e.	00
	(f) Milk Credit	▶	8f.	00
	(g) Motor Fuel Income Tax Credit	▶	8g.	00
9.	Total payments and refundable credits (add line 8a through line 8g)		9.	00
10.	Balance of tax (subtract line 9 from line 7)	▶	10.	00
11.	(a) Interest		11a.	00
	(b) Late file/pay penalty		11b.	00
	(c) Declaration penalty (attach SC2220)	▶	11c.	00
	Total (add line 11a through line 11c) See penalty and interest in SC1120 Instructions.	▶	11.	00
12.	Total Income Tax, interest and penalty (add line 10 and line 11)		12.	00
13.	Overpayment (subtract line 7 from line 9)			00
	To be applied as follows: (a) Estimated Tax	▶	13a.	00
	(b) License Fee	▶	13b.	00
	(c) REFUND	▶	13c.	00

SCHEDULE F INCOME SUBJECT TO DIRECT ALLOCATION

Allocated Income	Gross Amounts 1	Less: Related Expenses 2	Net Amounts Allocated Directly to SC and Other States 3	Net Amounts Allocated Directly to SC 4
	1,000		1,000	700
	2,000		2,000	2,000
1. Total income directly allocated			3,000	
2. Income directly allocated to SC				2,700

Attach an explanation of each type of income listed above that is not allocated to South Carolina.

SCHEDULE G COMPUTATION OF TAXABLE INCOME OF MULTI-STATE CORPORATIONS

1. Total net income as reconciled from SC1120S, page 1, line 3.	1.	63,000
2. Income subject to direct allocation to SC and other states from Schedule F, line 1.	2.	3,000
3. Total net income subject to apportionment (subtract line 2 from line 1).	3.	60,000
4. Multiply line 3 by appropriate ratio from Schedule H-1, H-2, or H-3.	4.	36,000
5. Income subject to direct allocation to SC from Schedule F, line 2.	5.	2,700
6. Total SC net income (add line 4 and line 5). Also enter on SC1120S, page 1, line 4.	6.	38,700

SCHEDULE SC-K WORKSHEET

	A Description	B Amounts From Federal Schedule K	C Plus or Minus South Carolina Adjustments	D Federal Schedule K Amounts After SC Adjustments	E Amounts Not Allocated or Apportioned to SC	F Amounts Allocated or Apportioned to SC
1	Ordinary business income (loss)	60,000		60,000	24,000	36,000
2	Net rental real estate income (loss)					
3	Other net rental income (loss)					
4	Interest income					
5	Dividends	1,000		1,000	300	700
6	Royalties					
7	Net short-term capital gain (loss)					
8	Net long-term capital gain (loss)	1,000		2,000		2,000
9	Net section 1231 gain (loss)					
10	Other income (loss)					
11	Section 179 deduction					
12a	Contributions	4,000		4,000	1,600	2,400
12b	Investment interest expense					
12c	Section 59(e)(2) expenditures					
12d	Other deductions					



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STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
**WITHHOLDING TAX ON INCOME OF
NONRESIDENT SHAREHOLDERS**

SC1120S-WH
(Rev. 9/4/19)
3312

SC corporate file #

Income Tax period ending (MM-YY)

	-
FEIN	

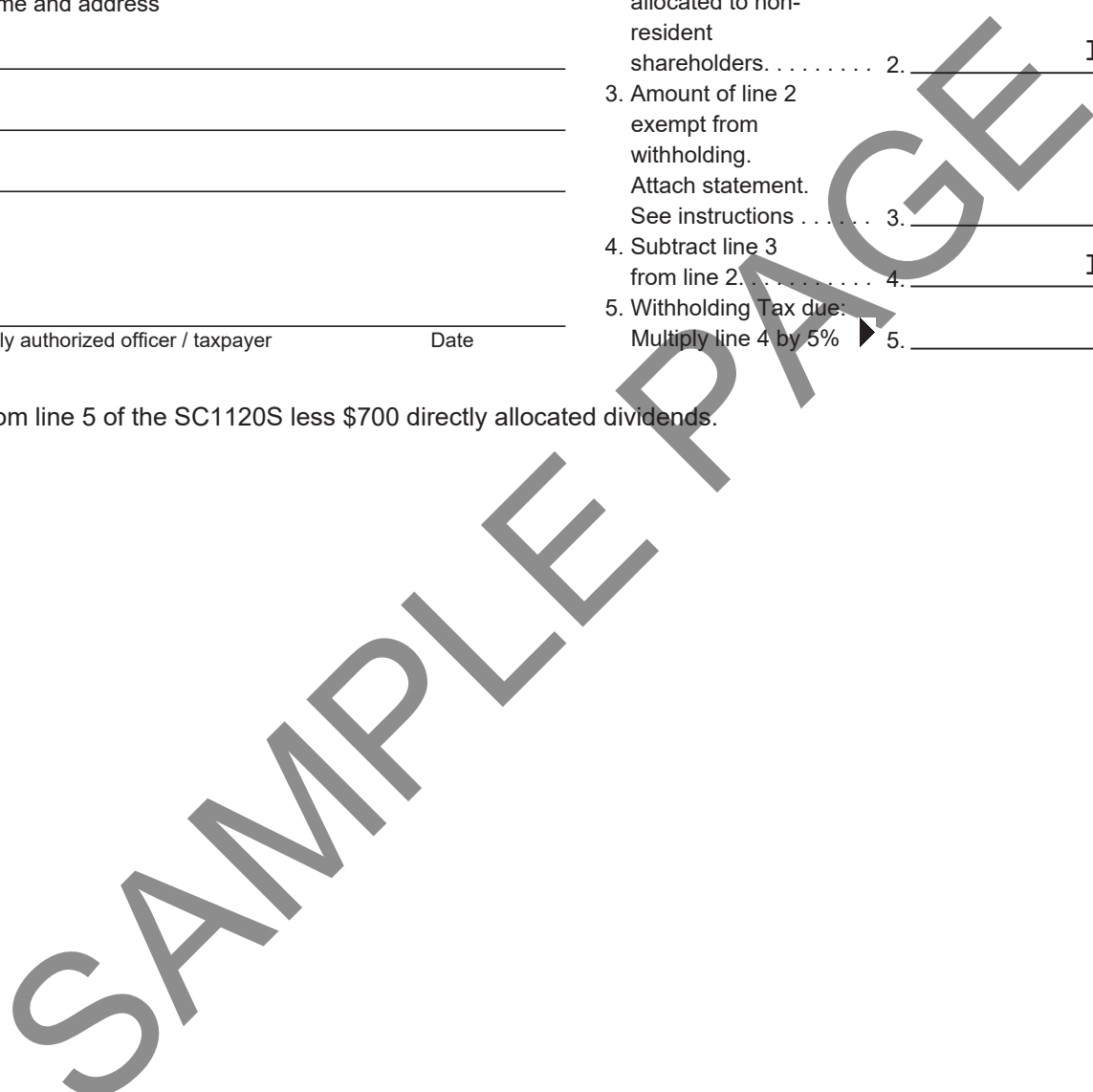
Corporate name and address

Signature of duly authorized officer / taxpayer _____ Date _____

1. Amount from line 5 of SC1120S (less allocated income)	1.		38000.00*
2. Line 1 times <u>30</u> % of income allocated to non-resident shareholders.	2.		11400.00
3. Amount of line 2 exempt from withholding. Attach statement. See instructions	3.		0.00
4. Subtract line 3 from line 2.	4.		11400.00
5. Withholding Tax due: Multiply line 4 by 5% ▶	5.		570.00

STAPLE PAYMENT HERE

* \$38,700 from line 5 of the SC1120S less \$700 directly allocated dividends.





STATE OF SOUTH CAROLINA DEPARTMENT OF REVENUE SHAREHOLDER'S SHARE OF SOUTH CAROLINA INCOME, DEDUCTIONS, CREDITS, ETC.

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For calendar year or tax year beginning and ending

Shareholder's identifying number S Corporation's FEIN

Shareholder's name, address, and ZIP S Corporation's name, address, and ZIP

Mr. X XYZ Corporation

Shareholder's percentage of stock ownership for tax year 70 %

Check if applicable: (1) Final K-1 (2) Amended K-1 (3) Nonresident

Check if the shareholder is exempt from nonresident withholding because the:

shareholder filed an I-309 affidavit with the S Corporation shareholder is included in a composite return

Table with 4 main columns: A Federal K-1 Amounts, B Plus or Minus SC Adjustments, C Amounts Not Allocated or Apportioned to SC, D Amounts Allocated or Apportioned to SC. Rows include Income (Loss) and Deductions (1-12) and Credits (13-18).



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
**SHAREHOLDER'S SHARE OF SOUTH CAROLINA
INCOME, DEDUCTIONS, CREDITS, ETC.**

dor.sc.gov

For calendar year _____ or tax year beginning _____ and ending _____

Shareholder's identifying number ▶ **S Corporation's FEIN** ▶

Shareholder's name, address, and ZIP S Corporation's name, address, and ZIP

Ms. Y XYZ Corporation

Shareholder's percentage of stock ownership for tax year..... ▶ 30 %

Check if applicable: (1) Final K-1 (2) Amended K-1 (3) Nonresident

Check if the shareholder is exempt from nonresident withholding because the:

shareholder filed an I-309 affidavit with the S Corporation shareholder is included in a composite return

Shareholder's Pro Rata Share of Current Year Income, Deductions, Credits, etc.		A Federal K-1 Amounts	B Plus or Minus SC Adjustments	C Amounts Not Allocated or Apportioned to SC	D Amounts Allocated or Apportioned to SC
Income (Loss)	1 Ordinary business income (loss).....	1 18,000	1	1 7,200	1 10,800
	2 Net rental real estate income (loss)...	2	2	2	2
	3 Other net rental income (loss).....	3	3	3	3
	4 Interest income.....	4	4	4	4
	5 Dividends.....	5 300	5	5 300	5
	6 Royalties.....	6	6	6	6
	7 Net short-term capital gain (loss).....	7	7	7	7
	8 Net long-term capital gain (loss)....	8 600	8	8	8 600
	9 Net Section 1231 gain (loss).....	9	9	9	9
	10 Other income (loss).....	10	10		10
Deductions	11 Section 179 deduction.....	11	11	11	11
	12 Other deductions	12 1,200	12	12 480	12 720
Credits	13 Withholding Tax for nonresident shareholder.....				13 570
	List applicable South Carolina tax credits. (Attach an additional sheet if needed.)				
	14 _____				14
	15 _____				15
	16 _____				16
	17 _____				17
18 Total South Carolina tax credits.....				18	

THINGS TO KNOW:

File online

Visit dor.sc.gov/services/electronic for information on your electronic filing options. You can file your SC1120 or SC1120S as well as your federal corporate return electronically in a single transmission using third-party tax preparation software.

Pay online

Pay online using our free tax portal, MyDORWAY, at dor.sc.gov/pay. Select **Business Income Tax Payment** and use your FEIN to get started.

Pay by Electronic Funds Transfer (EFT)

Pay your Income Tax, Estimated Income Tax, and License Fee payments electronically. To get started, you must register with the SCDOR by submitting the Registration Application for Electronic Funds Transfer (D-128), available at dor.sc.gov/forms.

Tax help

If you have a general question or concern, you should first call **1-844-898-8542**. If you received a letter or notice, call the specific number provided on the the letter or notice.

SCDOR Taxpayer Service Centers are located across the state. Visit dor.sc.gov/contact/in-person for locations and hours.

Penalty and interest

If you need help calculating your penalty and interest, a Penalty and Interest Calculator is available on MyDORWAY, our free online tax portal, at dor.sc.gov/calculator.