

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 Assn.
- SC1120U - Public Utility
- CL-4 - Electric Cooperative
- SC990-T - Nonprofit Organization with unrelated business income

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

Forms are available on our website dor.sc.gov or by calling 803-898-5320 or 1-800-768-3676 or by email at Forms@dor.sc.gov.

What's New?

Conformity - South Carolina recognizes the Internal Revenue Code as amended through December 31, 2015, except as otherwise provided. If Internal Revenue Code sections adopted by this state expire on December 31, 2015 are extended, but otherwise not amended by congressional enactment during 2016, these sections or portions thereof are also extended for South Carolina purposes in the same manner that they are extended for federal income tax purposes.

2016 Legislative Update – A list of significant changes in tax and regulatory laws and regulations enacted during the 2016 legislative session is provided on our website, dor.sc.gov under Resources, Law & Policy, 2016 New Legislation.

ABBREVIATED INSTRUCTIONS - FORM SC1120

If all of the corporation's activities are in South Carolina, federal taxable income is modified by Schedule A and B adjustments to arrive at South Carolina taxable income. After making this modification complete Part 1, page 1 to arrive at the income (loss) and compute the tax. Complete SC1120-TC for any nonrefundable credits and carry to Schedule C. Then complete line 14 in Schedule D and take the total stated capital amount to Part II, page 1 to compute the license tax. Then complete the remainder of Schedule D.

If the corporation's activities are multi-state, federal taxable income as modified by Schedule A and B adjustments is taken to Schedule G for allocation and apportionment. Complete Schedule F to directly allocate dividends and 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. Generally manufacturers, retailers and others dealing with tangible personal property 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 single factor formula apportionment method on

Schedule H-2. After allocation and apportionment, complete Schedule G to arrive at total South Carolina income (loss). Take the Schedule G amount to Part I, Page I to compute the tax. Complete SC1120-TC for any nonrefundable credits and carry to Schedule C. For License tax purposes take total stated capital on line 14, Schedule D to Schedule E for apportionment and take this amount as apportioned to Part II, page 1 to compute the license tax. Then complete the remainder of Schedule D.

POSTAL RATE INFORMATION

Any return required to be due on or before a prescribed date, shall be postmarked and have sufficient postage on such return in order to be considered timely filed.

TAXPAYER IDENTIFICATION FOR SC1120 AND SC1120S.

Corporations must use their FEIN (Federal Employer Identification Number) on your South Carolina income tax return.

INCOME TAX PERIOD ENDING. The income tax period ending date for the South Carolina corporate return is the same as 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, you must 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. Failure to do so could result in a Failure-to-File Notice. **NOTE:** The federal taxable income entered on Line 1, Part 1 is not affected.

LICENSE FEE PERIOD ENDING. This period is **one year** ahead of the income tax period. For instance, if the income tax period ends December 31 of the current year, the license fee period ends December 31 of the following year.

FEDERAL EMPLOYER IDENTIFICATION NUMBER (FEIN). Please include on return.

NAME. Include name of Corporation.

MAILING ADDRESS. This should be the address used for all corporate income tax correspondence.

If there is a change of address, accounting period, or officers, mark the appropriate block.

CORPORATE FACTS TO REMEMBER

The SC Department of Revenue has identified several basic corporate requirements that result in the majority of correspondence between the SC Department of Revenue and corporations. Most errors found when processing corporate returns involve the following basic requirements:

1. The Department will not process a faxed or emailed return.
2. A corporation that does not file an application for certificate of authority with the Secretary of State must file a CL-1 Initial Annual Report and pay a \$25 license fee to the Department within 60 days of initially doing business or using a portion of its capital in this State.
3. A South Carolina Corporate return is required to be filed, **regardless of the activity**, from the date the charter/authority is granted by the Secretary of State through the date of voluntary dissolution/withdrawal. **Failure to file may result in administrative dissolution.**
4. If any corporate income tax or license fee is due, the taxpayer must make payment with SC1120-T by original due date.

If no income tax or license fee is due and the taxpayer has requested a federal extension, the federal extension will be accepted as a South Carolina extension if the corporate return is received within the time as extended by the Internal Revenue Service.

Check the extension box if you requested a federal or state extension.

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 prescribed due date to avoid the assessment of late penalties and interest.
5. 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.
6. The period covered by the South Carolina corporate return must be the same as that covered by the federal return in most instances, but enter the **last day of the calendar month as the end date** if your **52-53 week tax** year ends on a week day nearest to the last day of the calendar month.
7. 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 \$25.00.
8. 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.
9. When claiming withholding, the corporation must provide all necessary withholding statements (1099s/I-290s/W2s) and a schedule of payments made to South Carolina when the corporation closes its books on a fiscal year basis. **A K-1 cannot be substituted.**
10. To avoid a declaration penalty for underpayment of corporate tax, a corporation (a) filing its first South Carolina corporate tax return or (b) having federal taxable income of \$1,000,000 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.
11. Corporations must use their FEIN (Federal Employer Identification Number) on your South Carolina income tax return.
12. **Appropriate forms must be sent with all remittances.** Checks should be made payable to SC Department of Revenue and should include the type of tax and FEIN (see example below).
13. When closing your account, you must close with the Secretary of State and include I-349 with your final return. A C corporation making an S election should not check the "Reorganized" box.
14. Round off cents to the nearest whole dollar. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

In an effort to ensure voluntary compliance, please remember these basic requirements. Corporations transacting business in South Carolina are subject to all corporate filing requirements set forth in the South Carolina Code of Laws. If you have any questions, please go to dor.sc.gov, contact the Corporate Section at corptax@dor.sc.gov, call (803) 898-5000, or toll free 1 (844) 898-8542.

REMITTANCE BY CHECK:

1. Checks must be made payable to:
SC DEPARTMENT OF REVENUE
2. Verify the dollar and written amount of the check.
3. Indicate type of tax and FEIN, and include the business name on the check, if not listed.
4. Complete signature must be provided.
5. **Please use black ink only.**

Your Name		_____ 20 ____	
Your Address		_____	
Any town, State, Zip		_____	
SAMPLE			
Pay to _____	①	\$ _____	②
_____		②	
FOR _____	③	_____	④
:: 123456789 :: 123456 " 1234			

FILING REQUIREMENTS - Every corporation, except those listed below, that is transacting or conducting business within this state is required to file SC1120. A corporation must be chartered or qualified to do business in this state with the Office of the Secretary of State.

Special Returns for certain organizations not required to file SC1120:

- Non-profit corporations: see SC990T and instructions.
- Banks: file SC1101B.
- Savings and Loans: file SC1104.
- S Corporations: file SC1120S
(See instructions for SC1120S information).
- Public Utilities file SC1120U.
- Electric Cooperatives file CL-4.
- Insurance Companies: File with the SC Department of Insurance.

NOTE: A homeowners association or political organization with no taxable income is not required to file an income tax return.

A copy of the federal form and supporting schedules must be attached to each return.



FINAL RETURN? A corporation must continue to file a return and pay the license fee until such charter or qualification is canceled with the SECRETARY OF STATE regardless of the activity of the corporation.

FINAL RETURN

A corporation must follow the steps listed below when filing a "Final Return" and ceasing to exist or when withdrawing from this state. **Do not check final on return or complete I-349 when making an S election only.**

1. A domestic corporation must file Articles of Dissolution with the Secretary of State.
2. A corporation other than a domestic corporation must file an Application to Surrender Authority to do Business with the Secretary of State.
3. The corporation must file a final tax return by the 15th day of the 3rd month if an S Corporation or by the 15th day of the 4th month if a C Corporation after the end of the tax year after filing the Articles of Dissolution or Application to Surrender Authority to do Business. The final return must include a schedule showing the distribution of the assets to the stockholders.
 - An extension of time to file may be obtained by filing Form SC1120-T prior to expiration of the filing period **if there is tax due.**
 - If the taxpayer is not required to make a payment for tax or license fee at the time of the extension, and the taxpayer has been granted an extension of time to file a federal income tax return, it is not necessary to file a separate state extension form. Attach a copy of the properly filed federal extension to the **final** South Carolina return when filed.
4. Check the final box on the return.
5. Include I-349 Schedule for Business Closure or Organizational Change to indicate whether the corporation was merged, reorganized or final.

BASIS OF RETURN

The taxable income as shown on your federal tax return is the basis of the South Carolina return, with certain adjustments for federal and state differences. A copy of the federal return and all supporting schedules must be attached to the South Carolina return. 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

In general, a C Corporation must file its income tax return by the fifteenth day of the fourth month after the end of the tax year; an S Corporation must file its income tax return by the fifteenth 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 fifteenth day of the fourth month after the short period ends; a new S Corporation filing a short period return must generally file by the fifteenth day of the third month after the short period ends. A corporation that has dissolved must file by the fifteenth day of the third month if an S Corporation or by the fifteenth day of the fourth month if a C Corporation after the date it has dissolved and filed the Articles of Dissolution with the Secretary of State. For foreign corporations, an Application to Surrender Authority must be filed with the Secretary of State.

REQUEST FOR EXTENSION TO FILE

If any corporate income tax or license fee is due, the taxpayer must use South Carolina extension SC1120-T and submit payment electronically for free at MyDORWAY.dor.sc.gov.

A federal extension will be accepted as a South Carolina extension if the corporate return is received within the time as extended by the Internal Revenue Service.

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 return if you have requested a South Carolina or federal extension.

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 prescribed due date to avoid the assessment of late penalties and interest.

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

CORPORATIONS ARE REQUIRED TO INCLUDE INFORMATION IN THE HEADING OF THE RETURN (See next two items below).

TOTAL GROSS RECEIPTS

The amount to enter for Total Gross Receipts is the amount from Line 1c of the 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 SOUTH CAROLINA

The amount to enter for depreciable personal property in South Carolina includes the total original cost of furniture, fixtures, machinery, equipment and vehicles without regard to any deductions for depreciation.

If filing consolidated, 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.

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.

SC1120-CDP provides corporate declaration payment coupons for you to file and pay your quarterly estimated tax payments. Alternatively, quarterly declaration Payment Only: Submit payment electronically for free at MyDORWAY.dor.sc.gov. Complete SC2220 to compute underpayment penalties.

MyDORWAY

Payments only may be submitted electronically for free at MyDORWAY.dor.sc.gov.

PENALTIES AND INTEREST

See the Penalty and Interest Calculator on our website:

MyDORWAY.dor.sc.gov

Avoid penalties and interest by correctly filing and paying the tax when due.

- A corporation is required under SC Code Section 12-54-210 to keep books, papers, memoranda, records, render statements, make returns and comply with regulations as the department 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 of time for filing), it will be subject to a **failure to file penalty**. The penalty shall be 5% of the amount of the tax due if failure is for not more than one month, with an additional 5% for each additional month or fraction thereof during which the failure continues, not exceeding 25% in the aggregate. The penalty is calculated on the amount of tax shown due on the return reduced by any amounts paid on or before the date prescribed for payment of the tax. In any event, the SC Department of Revenue may assess a late filing penalty of up to \$500 in addition to the above specified late filing penalties.
- If a corporation fails to pay any tax on or before the due date, a **failure to pay penalty** must be added to the tax. The penalty will be 0.5% of the amount of the tax if the failure is for not more than one month, with an additional 0.5% for each additional month or fraction thereof during which the failure continues, not exceeding 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 remit the tax due it will be charged **interest** at the rate provided under Internal Revenue Code Sections 6621 and 6622. The interest must be calculated on the full amount of tax or portion thereof, exclusive of penalties, from the time the tax was due until paid in its entirety.

AMENDED RETURN

In order to amend a previously filed SC1120 or SC1120S, complete a new form and check the amended box on the face of the return. An explanation of the adjustments and a copy of the federal 1120X must be attached to the 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 and 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 SC1120 and complete **SCHEDULE J and SCHEDULE M (required)**.

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

An election to file a consolidated return must be made on an original, timely filed return. The election to file a consolidated return may not be changed after the return is filed. Once an election is made, it must be adhered to on all subsequent returns until permission is granted by the department to file separate returns.

Remember: a multi-state corporation must compute and use a separate apportionment ratio in arriving at the SC taxable income and license fee for each entity included in the consolidation.

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

Income: Corporation	Taxable Income	SC Apportionment Ratio	SC Taxable Income
A	45,000	80%	36,000
B	(15,000)	90%	(13,500)
	Total SC Taxable Income		22,500
License: Corporation	Total Stated Capital	SC Apportionment Ratio	(X .001 + 15.00) Not less than \$25
A	150,000	80%	135.00
B	1,000	90%	25.00
	Total SC License Fee		160.00

NOTE: 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.

- (2) Additional South Carolina income or deductions which result from adjustments that are necessary because of a change in the method of accounting are included in or deducted from income as provided in the Internal Revenue Code.

TRANSFERS TO A CORPORATION CONTROLLED BY THE TRANSFEROR

If a person receives stock or securities of a corporation in exchange for property and no gain or loss is recognized under Section 351 of the Internal Revenue Code, the person (transferor) and the transferee must attach the same information required by the Internal Revenue Regulation 1.351-3.

SIGNATURE

The return must be signed by an officer of the corporation duly authorized to make the report on behalf of the corporation. Make sure that the officer's name is printed under the signature.

The signature section of the return contains a "check the box" authorization for release of confidential information. A check in the "yes" box authorizes the Director of the Department of Revenue or delegate to discuss the return, its attachments and any notices, adjustments or assessments with the preparer.

ACCOUNTING METHOD

The accounting method must be the same as the method used for federal income tax purposes. If a change in accounting method is approved or changed by the Internal Revenue Service, the taxpayer must provide the SC Department of Revenue with a copy of the written permission form received from the Internal Revenue Service.

- (A) A taxpayer's method of accounting under this chapter must be the same as for federal income tax purposes.
- (B) If a taxpayer's method of accounting is changed for federal income tax purposes:
 - (1) The method of accounting for South Carolina income tax purposes is changed. The taxpayer shall provide the department with a copy of the written permission form received from the Internal Revenue Service. When written permission is not required to change a method of accounting, the taxpayer shall provide the department with a copy of the election or statement provided to the Internal Revenue Service.

DEFINITIONS

- "Tangible property" is real property and corporeal personal property and 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 upon the basis of which the federal net income is computed.
- "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" and "received and accrued" must be construed according to the method of accounting upon the basis of which the net income is computed.
- "Foreign corporation" is any corporation chartered outside of South Carolina. A "Domestic corporation" is chartered in South Carolina.
- The phrase "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.
- 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.
- "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.

POLICY RESOURCES

The South Carolina Department of Revenue (SCDOR) issues Policy Documents on a variety of tax related topics. Some examples of these documents which may be of interest to corporate taxpayers are as follows:

1. New Jobs Credit: County Rankings - S.C. Information Letter.
2. New Jobs Credit: Computation and Examples - S.C. Revenue Ruling #99-5.
3. Per Capita Income of Counties - S.C. Information Letter.
4. Quarterly Interest Rate - S.C. Information Letter.
5. Policy Document Index - S.C. Information Letter.

6. Single Member Limited Liability Company - S.C. Revenue Ruling #98-11
7. Nexus for Income Tax (Geoffrey Implications) - S.C. Revenue Ruling #08-1.
8. Public Law 86-272 and South Carolina Income Tax - S.C. Revenue Ruling #97-15.
9. License Fee Based on Capital Stock and Paid-In or Capital Surplus - Computation and Proration Questions. SC Revenue Ruling #05-11
10. S.C. Tax Incentives for Economic Development (Publication)

These Policy Documents and more are available at dor.sc.gov.

USE TAX ON OUT-OF-STATE PURCHASES

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 and has been in existence since 1954. 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.

Use tax for corporations 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. If you need assistance, contact the Registration Section at the Department at (803) 896-1350. For more information on **Use Tax**, see our website dor.sc.gov.

CHECK BOXES

Check all boxes that apply.

Part I COMPUTATION OF INCOME TAX LIABILITY

Line 1. Federal Taxable Income

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

Line 2. Net Adjustment

Complete Schedule A and B, page 2 and enter the 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 or 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 Internal Revenue Code 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, except that 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, shall continue to report income or deduct expenses in the manner provided in the Internal Revenue Code and approved by the Internal Revenue Service. At the expiration of the authorized adjustment period, the balance of the income or expenses must be reported or deducted in the same manner and amount for South Carolina income tax purposes until all of the income or expenses 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.
- Taxpayers must reduce the basis of certain property to the extent the corporate headquarters credit is claimed. An **addition** must be made for the resulting reduction in depreciation.
- Taxpayers who claim the Economic Impact Zone or Capital Investment Credit (Schedule TC-11) must reduce the basis of the qualifying property to the extent the credit is claimed. An addition to federal taxable income must be made for the resulting reduction in depreciation.
- Corporate taxpayers that claim a child care program credit for donations to a nonprofit South Carolina corporation providing child care services to its employees (Schedule TC-9) are not allowed a deduction for these donations. The disallowed deductions are an addition to federal taxable income.
- The deduction for wages paid must be reduced by the amount of credit claimed for wages paid to employees terminated due to base closure or due to federal facility reduction in force (Schedule TC-10). The amount of this credit is an addition to federal taxable income.
- South Carolina does not recognize the deduction for domestic production activities provided in IRC Section 199. The amount of the deduction must be added back.

- South Carolina does not recognize the federal election for special taxation of income from qualifying shipping activities provided in IRC Section 1354. The income taxed at the special rate must be added back.

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

- The "gross-up" of dividends received from a Foreign Corporation located outside of the U.S. required by a Domestic U.S. corporation electing the foreign tax credit as provided for in Internal Revenue Code 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, the corporation shall adjust SC 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 and attach a schedule showing how the deduction was derived).
- If a taxpayer is reporting income from the liquidation of a corporation under Internal Revenue Code Section 337 using the installment method of reporting or from an installment sale under Internal Revenue Code Section 453, and the corporation has previously reported all the gain for South Carolina tax purposes, then SC income must be reduced by the amount of the installment gain.
- If a corporation is claiming a reduction in salaries and wages due to the federal jobs credit, subtract this amount for South Carolina purposes.
- Dividends received from foreign corporations (located outside of the U.S.) that are included in federal taxable income may be reduced in the same manner that dividends received from domestic corporations are deducted under Internal Revenue Code Section 243.

Special rules for certain federal items:

- South Carolina **does not recognize** any of the federal special depreciation allowances, including bonus depreciation, provided in Section 168(k) through (n) or regional benefits provided in Sections 1400 through 1400U-3 of the Internal Revenue Code. A taxpayer electing one or more of the special or regional depreciation allowances must have a separate depreciation schedule for South Carolina purposes. The difference between federal depreciation and South Carolina depreciation must be added back 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 Section 108(i) or original issue discount of high yield discount obligations under Section 163(e)(5)(F) of the Internal Revenue Code. The result is that the income is reported immediately and 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 Net Operating Loss (NOL) Carryover: For tax years beginning after December 31, 1984, South Carolina recognizes the federal NOL with modifications as provided in SC Code Section 12-6-1130(4). However, for South Carolina NOL purposes no carrybacks are allowed. If a corporation has a South Carolina NOL carryover which has not expired as of January 1, 1985, the NOL may be carried forward until exhausted or expired.

Be sure to make the addition on Schedule A, SC1120 if a federal NOL is claimed on the federal Form 1120. CAUTION: Do not make the adjustment for NOL on Schedule G, SC1120.



After adding the federal NOL to federal taxable income in Schedule A, subtract the South Carolina NOL on Schedule B.

Line 8

For South Carolina purposes, if a corporation has receipts from invoices issued by a seller directly to an unrelated purchaser outside the United States, better known as "foreign trade receipts", and wishes to defer the state income taxes, see Form TD-1 for instructions and computations. Line 8 would also include any deferred LIFO recapture tax pursuant to IRC Section 1363.

Line 10

Any credits earned by a corporation included in a consolidated corporate income tax return under SC Code Section 12-6-5020 **must be used and applied against the consolidated tax.**

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 5.0% 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, 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(I)(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 Forms W-2 and 1099. **(South Carolina Schedule K-1 or Partner Information (SC1065) or Settlement Statements are not accepted.)** See SC Code Section 12-8-590(D) and SC Code Section 12-8-1540(A). If you are a fiscal year taxpayer, include a schedule of amounts withheld on a monthly basis.

Line 14(b) Include total of prior year overpayments, EFT payments, and estimated payments on this line.

Line 17

See instructions on page 4 or use the penalty and interest calculator on our website: dor.sc.gov.

Line 19

If line 15 is larger than line 18, enter the overpayment and indicate how the overpayment is to be applied.

Part II Computation of License Fee

Every corporation organized under the laws of the state of South Carolina and every corporation organized to do business under the laws of another state, territory or country and qualified to do business in this state and any other corporation required to file an income tax return shall compute and pay a license fee.

NOTE: Express, street railway, navigation, waterworks, power, light, gas, telegraph, and telephone companies file a SC1120U Public Utility Tax Return. Electric cooperatives file a CL-4 Annual Report of Electric Cooperative Corporation Property and Gross Receipts and pay a license fee on or before the 15th day of the third month following the end of their taxable year. They do not file an income tax return. S.C. Code Section 12-20-100 requires a license fee calculation for each of these companies based on property and gross receipts.

The following companies are exempt from license fee requirements:

- corporations organized for tax exempt purposes and exempt from income tax pursuant to Internal Revenue Code Section 501
- volunteer fire departments and rescue squads
- cooperatives under Chapters 45 and 47 of Title 33
- building and loan associations or credit unions conducting a strictly mutual business
- insurance, fraternal, beneficial, or mutual protection insurance companies
- foreign corporation whose entire income is not included in gross income for federal income tax purposes due to any treaty obligation of the United States
- homeowners' association's within the meaning of Internal Revenue Code Section 528(c)(1) and filing federal Form 1120-H
- community development entities certified by the Department of Treasury

The license fee is computed 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, 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 group electing to file the consolidated return. 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 must be 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 **\$25.00 per return**. A license fee is not generally required on final returns. See SC Revenue Ruling 05-11.

In place of the license fee based on capital stock and paid in capital, a license fee based on gross receipts from regulated business and South Carolina property used in the conduct of business is imposed on certain companies that are organized under South Carolina law or that are qualified to do business in South Carolina as a waterworks company, power company, electric cooperative, light company, gas company, telephone company, telegraph company, express company, street railway company, or navigation company. These enumerated companies are not defined by statute or regulation.

Line 20

The total capital and paid in surplus should be entered. If the corporation is subject to apportionment, Schedule E should be completed and the amount from line 2 entered on line 20.

Line 21

Multiply the total capital and paid in surplus by one mill (.001). Then add \$15.00. The license fee cannot be less than \$25.00. 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 **\$25.00**. A license fee is not generally required on final returns.

Line 22

Enter the amount from SC1120-TC, Part II for credits applied to the license fee.

Line 24

Any amount paid with an extension or a transfer from the declaration of taxes should be entered. (Total payments should be entered on line 25.)

Line 27

See instructions on page 4.

Line 29

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

SCHEDULE A - Additions to Income: Refer to instructions for line 2.

SCHEDULE B - Deductions from Income: Refer to instructions for line 2.

SCHEDULE C - Summary of Income Tax Credits: SC1120-TC, along with the applicable Tax Credit Schedule, **MUST** be attached to the tax return. See SC1120-TC for further instructions.

SCHEDULE D - Annual Report: Complete all information requested including a list of directors and principal officers.

SCHEDULE E - License Fee-Multi-state: 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, except when none of the business of the corporation is conducted in the state of domicile, in which circumstances the SC Department of Revenue shall determine, in light of 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 income or future income which is or will be specifically or directly allocable.

Line 1 - Interest from intangible property not connected with the business of the taxpayer, less all related expenses, is allocated to the principal place of business of the corporation.

Line 2 - Dividends received from corporate stock not connected with the taxpayer's business (after dividends received deductions under Internal Revenue Code Section 243) less all related expenses, are allocated to the state of the corporation's principal place of business.

Line 3 - Rents received from the lease or rental of real or tangible personal property and royalties from tangible property, where the property was not used in or connected with the business of the taxpayer during the income year, less all related expenses, are allocated to the state in which the property is located.

Line 4 - Gains or losses from the sale of real property are allocated to the state in which the property is located.

Line 5 - Gains or losses from the sale of intangible personal property not connected with the business of the taxpayer, less all related expenses are allocated to the principal place of business of the corporation.

Line 6 - Income, less all related expenses from any other investment, including investments in subsidiaries, the net income from which is not properly includable in the net apportionable income of corporations engaged in Interstate Commerce under the Constitution of The United States because it is unrelated to the business activity of the corporation conducted partly within and partly without South Carolina, is allocated to the state in which the business situs of the investment is located; provided, that if the business situs of such investment is partly within and partly without South Carolina, the income is subject to apportionment.

NOTE: Attach an explanation of each type of income that is **not allocated** to South Carolina.

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

Only multi-state businesses complete this Schedule G.

Line 1 - Enter amount from SC1120, page 1, line 3.

Line 2 - Enter amount from Schedule F, line 7.

Line 3 - Subtract line 2 from line 1.

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 amount from Schedule F, line 8.

Line 6 - Add lines 4 and 5.

SCHEDULE H-1 – COMPUTATION OF SALES RATIO

A multi-state taxpayer whose principal business in the state is:

- (a) manufacturing or any form of collecting, buying, assembling or processing goods and materials within this state, or
- (b) selling, distributing or dealing in tangible personal property within this state, shall make returns and pay annually an income tax upon a proportion of its remaining net income after allocation by using sales-only apportionment.

The sales factor is a fraction in which the numerator is the total sales of the taxpayer in this state during the tax year and the denominator is the total sales of the taxpayer everywhere during the tax year. The term "sales in this state" includes sales of goods, merchandise, or property received by a purchaser in this state. The place where goods are received by the purchaser after all transportation is completed is considered as the place at which the goods are received by the purchaser. Direct delivery into this state by the taxpayer to a person designated by a purchaser constitutes delivery to the purchaser in this state.

Sales of tangible personal property to the U.S. government are not included in the numerator or the denominator of the sales factor. Only sales for which the U.S. government makes direct payment to the seller pursuant to the terms of a contract constitute sales to the U.S. government.

Items included in sales are listed in SC Code Section 12-6-2295, for tax years beginning after 2006, the terms 'sales' as used in SC Code Section 12-6-2280 include, but are not limited to, the following items if they have not been separately allocated:

- (1) receipts from the sale or rental of property maintained for sale or rental to customers in the ordinary course of the taxpayer's trade or business including inventory;
- (2) receipts from the sale of accounts receivable acquired in the ordinary course of trade or business for services rendered or from the sale or rental of property maintained for sale or rental to customers in the ordinary course of the taxpayer's trade or business if the accounts receivable were created by the taxpayer or a related party. For purposes of this item, a related person includes a person that bears a relationship to the taxpayer as described in Section 267 of the Internal Revenue Code;
- (3) receipts from the use of intangible property in this State including, but not limited to, royalties from patents, copyrights, trademarks, and trade names;
- (4) net gain from the sale of property used in the trade or business. For purposes of this subsection, 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 of a kind that properly would be includable in inventory of the business if on hand at the close of the taxable year; or
 - (b) held by the business primarily for sale to customers in the ordinary course of the trade or business;
- (5) receipts from services if the entire income-producing activity is within this State. If the income-producing activity is performed partly within and partly without this State, sales are attributable to this State to the extent the income-producing activity is performed within this State;
- (6) receipts from the sale of intangible property which are unable to be attributed to any particular state or states are excluded from the numerator and denominator of the factor.

Note: The terms "sales" as used in SC Code Section 12-6-2280 does not include:

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

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.

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

SCHEDULE H-2 - GROSS RECEIPTS

If the principal profits or income of a taxpayer, other than a public service corporation and a utility and electric cooperative are derived from sources other than manufacturing, producing, collecting, buying, assembling, processing or selling, distributing or dealing in tangible personal property, such taxpayers shall make returns and pay annually an income tax upon a proportion of its remaining net income computed on the basis of the ratio of gross receipts from within this state during the income year to the total gross receipts of such year within and without the state. Examples of corporations subject to a gross receipts method of apportionment are construction contractors, service companies other than public service corporations and corporations primarily engaged in rental real estate activities.

Items included in gross receipts are provided in Code Section 12-6-2295.

Line 1 - Enter the total gross receipts from within South Carolina in column 1 and total gross receipts everywhere in column 2.

Line 2 - Items not included in gross receipts are those items of income listed in Schedule F instructions, lines 1-6, that are specifically and directly allocated before apportionment of the remaining net income. For S corporations, exclusions are directly allocable items of income shown on lines 2 - 6 of Schedule SC-K Worksheet.

Line 3 - Subtract line 2 from line 1. Divide line 3, column 1 by line 3, column 2 and enter results on line 4, column 3.

SCHEDULE H-3 - PUBLIC SERVICE CORPORATIONS

The income remaining after allocation for the following companies must be apportioned using the following factors:

(1) Railroad Companies.

a) Railroad companies shall use a fraction in which the numerator is railway operating revenue from business done within this state during the taxable year and the denominator is total railway operating revenue from all business done by the taxpayer as shown by its records kept in accordance with the Uniform System of Accounts prescribed by the Interstate Commerce Commission.

b) If the department finds that the accounting records of a taxpayer do not accurately reflect the division of revenue by state lines as to each transaction involving interstate revenue, the department may adopt rules and promulgate regulations which determine averages which approximate with reasonable accuracy the proportion of interstate revenue actually earned upon lines in this state.

c) For the purposes of this item:

(i) "Railway operating revenue from business done within this State" means railway operating revenue from business wholly within this state, plus the equal mileage proportion within this state of each item of railway operating revenue received from the interstate business of the taxpayer.

(ii) "Equal mileage proportion" means the proportion which the distance of movement of property and passengers over lines in this state bears to the total distance of movement of property and passengers over lines of the taxpayer receiving the revenues.

(iii) "Interstate business" means railway operating revenue from the interstate transportation of persons or property into, out of, or through this state.

(2) Motor carriers of property and passengers shall use a fraction in which the numerator is vehicle miles within this state during the taxable year and the denominator is total vehicle miles everywhere during the taxable year.

(3) Telephone service companies shall use a fraction in which the numerator is gross receipts in this state during the taxable year and the denominator is total gross receipts everywhere. The term "gross receipts in this state" includes gross revenues derived from services rendered wholly within this state, plus that portion of the company's interstate revenues attributable to this state in accordance with the Federal Communications Standard Classification of Accounts.

(4) Pipeline companies shall use a fraction in which the numerator is the revenue ton miles (one ton of solid property transported one mile), revenue barrel miles (one barrel of liquid property transported one mile), or revenue cubic foot miles (one cubic foot of gaseous property transported one mile) within this state during the taxable year and the denominator is the total revenue ton miles, revenue barrel miles, or revenue cubic foot miles, of the taxpayer everywhere during the taxable year.

(5) Airline companies shall use a fraction in which the numerator is revenue tons loaded and unloaded in this state during the taxable year, and the denominator is revenue tons loaded and unloaded everywhere during the taxable year. A revenue ton is a short ton (two thousand pounds) and is computed by using a standard weight of one hundred ninety pounds per passenger (including free baggage) multiplied by the number of passengers loaded and unloaded plus the tons of airmail, express, and freight loaded and unloaded within and without this state.

(6) Shipping Lines. Where the income is derived principally from the operation of a shipping line, the corporation shall apportion its net apportionable income to South Carolina on the basis of the ratio of revenue tons loaded and unloaded within and without this state for such year. A revenue ton is a short ton (two thousand pounds) and must be computed using a standard weight of one hundred ninety 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 Federal Employer Identification Number (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.

SCHEDULE M - CONSOLIDATED RETURN AFFILIATIONS SCHEDULE

A consolidated return may be filed by a parent corporation and subsidiaries over which it has substantial control (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.

On Schedule M, indicate by checking the appropriate box whether the parent is included in the consolidated return. Provide the parent corporation's name and Federal Employer Identification Number (FEIN) whether or not the parent corporation is included in the consolidated return.

Provide the information requested in Schedule M for each corporation subject to South Carolina income tax and included in the consolidated return. Include additional Schedule Ms as needed.

SCHEDULE N - PROPERTY INFORMATION (REQUIRED)

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 values of all land.

Line 2 - Enter values of all buildings.

Line 3 - Enter values of all machinery and equipment.

Line 4 - Enter values of all construction in progress.

Line 5 - Enter values of all tangible personal property not entered above.

Total - Enter the totals of lines 1 through 5 for each column.

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

Filing Requirements

Generally, if the corporation has a valid S election and is doing business in this state, SC1120S must be filed. If an S Corporation has met the requirements of the Transitional Rule and elected for South Carolina purposes to be treated as a C Corporation, SC1120 must be filed. Public Utilities must file SC1120U.

Request for Extension to File

- If any corporate income tax or license fee is due, the taxpayer must use South Carolina extension SC1120-T and submit payment electronically for free at MyDORWAY.dor.sc.gov.
- If no income tax or license fee is due and the taxpayer has requested a federal extension, then the federal extension will be accepted as a South Carolina extension if the corporate return is received within the time as extended by the Internal Revenue Service.
- If you filed a federal or state extension, check the box on the return.
- 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 prescribed due date to avoid the assessment of late penalties and interest.
- An S Corporation needing an extension must file a South Carolina extension (SC1120-T) with the Department of Revenue or file a federal extension (Form 7004) by the original due date of the return.

Part I Computation of Income

Line 1 - The amount on this line is the total of federal Schedule K lines 1 through 10 income (loss) amounts. This is necessary to make the S Corporation income tax return consistent with form SC1120S-WH (Withholding Tax on Income of Nonresident Shareholders).

Note: Generally all income (loss) amounts are considered business related and subject to apportionment by multi-state corporations.

Line 2 - Include on this line the net amount of South Carolina adjustments to all of the income (loss) amounts included in the line 1 total. (Schedule SC-K is continued as a worksheet to arrive at the adjustments.) Additions to and subtractions from federal taxable income include the same adjustments possible for a C Corporation plus the following:

Excess net passive income under IRC Section 1375 when taxed on the federal return and built-in gains and certain capital gains under IRC Section 1374 when taxed on the federal return.

Line 4 - If a multi-state S Corporation, the total net income as adjusted (line 3, page 1, SC1120S) is carried to Schedule G, line 1 for apportionment. Complete Schedule G and enter the results on line 4. If not a multi-state S Corporation, enter the amount from line 3 on line 4.

Line 5 - Income on line 4 that is taxed to the shareholders is subtracted on line 5. This is generally the same amount shown on line 4, however, any income subject to tax on the federal Form 1120S pursuant to IRC Sections 1374 and 1375 would not be subtracted on this line.

Lines 6 and 7 - South Carolina imposes a corporate tax at the rate of 5.0% (.05) on the excess net passive income and/or built-in gains which are added to federal income. Also include on line 7 any deferred LIFO recapture tax pursuant to IRC Section 1363.

Line 8(a) - Attach all I-290s and federal Forms W-2 and 1099. **(A South Carolina Schedule K-1 or Partner Information (SC1065) or Settlement Statement is not acceptable.)** See SC Code Section 12-8-590(D) and SC Code Section 12-8-1540(A). If you are a fiscal year taxpayer, include a schedule of amounts withheld on a monthly basis.

Line 8(b) - Include total of prior year overpayments, EFT payments, and estimated payments on this line.

Note:

- S Corporations do not have a net operating loss carryover, as the losses flow through to the shareholders each year.
- Deferral of income and tax on foreign trade receipts would 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 and QSSS Procedures

An S Corporation pays a license fee the same as a C Corporation. For tax purposes, Qualified Subchapter S Subsidiaries ("QSSSs") are treated as part of the S corporation parent, and the parent pays the corporate license fee. **List the Qualified Subchapter S Subsidiaries (QSSS) for SC purposes on Schedule L of SC1120S.**

Schedules A through N

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

SCHEDULE L – QSSSs and Disregarded LLCs Included in Return

For tax purposes a qualified subchapter S subsidiary (QSSS), as defined in Section 1361(b)(3)(B) of the Internal Revenue Code, 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 LLC's name and Federal Employer Identification Number (FEIN).

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. On the bottom portion of Schedule L, provide the name and Federal Employer Identification Number (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.

Schedule SC-K Worksheet

This schedule is provided primarily as a worksheet 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 federal. 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 Columns B and 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.

Lines 11 through 12D. If the S Corporation has multi-state operations, multiply the amount(s) in Column (D) by the apportionment ratio determined in Schedule H of SC1120S.

Non-refundable credits

Any non-refundable credit is distributed to shareholders in proportion to shares held.

EXAMPLE MULTI-STATE S CORPORATION:

XYZ Corporation, a South Carolina S Corporation does business in South Carolina and Georgia and has the following income and deductions: dividend income of \$1,000, long term capital gain from the sale of South Carolina real estate of \$2,000, ordinary business income of \$60,000, and a cash charitable contribution of \$4,000. The 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 which was received from corporate stock not connected with the taxpayer's business should be allocated to the respective domiciles of the individual taxpayers, and the long term capital gain from the sale of real estate of \$2000 is allocated to the state it is located in. 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 should be apportioned per South Carolina law based on the apportionment rates.

TRANSACTIONS	TRANSACTION AMOUNT	60% APPORTIONED TO S.C.	ALLOCATED	Mr. X's S.C. SHARE (70%)	Ms. Y's S.C. SHARE (30%)	Ms. Y's OTHER STATE
Ordinary Business Inc.	60000	36000		25200	10800	
Dividend Income	1000		1000	700	0	300
Long Term Capital Gain	2000		2000	1400	600	
Charitable Contribution	4000	2400		1680	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.

COMPUTATION OF INCOME TAX LIABILITY		1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
	1. Total of line 1 through 10, Schedule K of Federal Form 1120S.	▶	1.	63,000									
	2. Net Adjustment from line 15, Schedule A and B		2.	< 0 >									
	3. Total Net Income as Reconciled (line 1 plus or minus line 2)	▶	3.	63,000									
	4. If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3.	▶	4.	38,700									
	5. LESS: Income on line 4 taxed to shareholders of S Corporation		5.	< 38,700 >									
	6. South Carolina Net Income subject to tax (line 4 less line 5)	▶	6.	0									
	7. TAX: Multiply amount on line 6 by .05 (5.0%)		7.	0									
	8. Payments: (a) Tax Withheld (Attach 1099s, I-290s, and/or W-2s; see instructions) ▶ _____												
	(b) Paid by Declaration ▶ _____ (c) Paid with Extension ▶ _____												
	(d) Credit from Line 29b ▶ _____												
	Refundable Credits: (e) Ammonia Additive ▶ _____ (f) Milk Credit ▶ _____												
	9. Total Payments and Refundable Credits:(add lines 8a through 8f)		9.	0									
	10. Balance of Tax Due (line 7 less line 9)	▶	10.	0									
	11. (a) Interest Due ▶ _____ (b) Late File/Pay Penalty Due ▶ _____												
	(c) Declaration Penalty Due (Attach SC2220); ▶ _____												
	(See penalty and interest instructions.) Enter Total.	▶	11.	0									
	12. TOTAL INCOME TAX , Interest and Penalty Due (add lines 10 and 11)		12.	0									
	13. OVERPAYMENT (line 9 less line 7) _____ To be applied as follows:												
	(a) Estimated Tax ▶ _____ (b) License Fee ▶ _____ (c) REFUNDED ▶ _____												0

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) plus
- 2) Schedule SC-K worksheet column (E) amounts that are allocated or apportioned to states other than South Carolina.

This total amount would be the respective 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.

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

S Corporations receiving rental and other passive activity income and losses pursuant to IRC Section 469, from investments located within and without 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 F INCOME SUBJECT TO DIRECT ALLOCATION

(A) Allocated Income	(B) Gross Amounts	(C) Related Expenses	(D) Net Amounts (Column B minus Column (C))	(E) Net Amounts Allocated Directly to SC
	1,000		1,000	700
	2,000		2,000	2,000
1. Total Allocated Income (Enter the total of Column D here)			3,000	
2. Total Income Allocated to SC (Enter the total of Column E)				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. Enter amount from line 3, Page 1	1.	63,000
2. Less: 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 (line 1 less line 2)	3.	60,000
4. Multiply amount on line 3 by appropriate ratio from Schedule H-1, H-2, or H-3 and enter result here	4.	36,000
5. Add: Income subject to direct allocation to SC from Schedule F, line 2	5.	2,700
6. Total SC Net Income (sum of lines 4 and 5 above) also enter on line 4, Part 1 of Page 1	6.	38,700

SCHEDULE SC-K WORKSHEET

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

	(A) Description	(B) * Amounts From Federal Schedule K	(C) Plus or Minus South Carolina Adjustments	(D) Federal Schedule K Amounts After SC Adjustments	(E) Col. (D) Amounts Not Apportioned or Allocated to SC	(F) Col. (D) Amounts Apportioned or Allocated 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)	2,000		2,000		2,000
9	Net section 1231 gain (loss)					
10	Other income (loss)					
11	Section 179 deduction	4,000		4,000	1,600	2,400
12a	Contributions					
12b	Investment interest expense					
12c	Section 59(e)(2) expenditures					
12d	Other deductions					



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

SC CORPORATE FILE #
INCOME ACCT PERIOD END (MM/YY)
- /

FEIN

sample page

(Signature of duly authorized officer / taxpayer)

Date

Corporate Name and Address

Blank lines for signature, date, and corporate name/address.

Table with 7 rows and 2 columns: Description and Amount. Row 1: 38000.00; Row 2: 11400.00; Row 3: 0.00; Row 4: 11400.00; Row 5: 570.00; Row 6: .00; Row 7: .00.

* NOTE: \$38,700 (line 5 of the SC1120S) less \$700 directly allocated dividends. See pages 15 and 16.

WITHHOLDING ON INCOME OF S CORPORATION SHAREHOLDERS WHO ARE NONRESIDENTS OF SOUTH CAROLINA

S Corporations are required annually to withhold 5% (.05) of the South Carolina taxable income of shareholders who are nonresidents of South Carolina. The income tax withheld must be paid to the SC Department of Revenue when filing SC1120S-WH by the fifteenth day of the third month following taxable year end of the S Corporation.

Each nonresident must attach a copy of this Form 1099-MISC to his respective income tax return as verification for claiming credit for this withholding. A nonresident shareholder may provide the S Corporation with an affidavit agreeing that he is subject to the jurisdiction of the Department and the Courts of this State for purposes of determining and collecting South Carolina tax, interest and penalties which may be due.

COMPOSITE FILING

A composite return is a single nonresident individual income tax return (Schedule NR attached to SC1040) filed by an S-Corporation that computes and reports the income and tax of its nonresident shareholders. The return is due on or before the 15th day of the 4th month following the shareholder's taxable year end.

entire share of SC income without considering deductions and exemptions. Under either method, add the individual liabilities together to arrive at a total tax. Attach a schedule showing the separate computations. Total the separate tax amounts and enter on the "tax" line of SC1040, page 1.

The S Corporation does not need to withhold on behalf of any shareholder participating in a composite return. Shareholders participating in a composite return do not need to pay estimated tax. For more detailed information, see SC Revenue Procedure 92-5 on our website: dor.sc.gov.

For tax years beginning after 2005, 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% (.07) on any income that does not qualify as active trade or business income (I-335), unless the shareholder completes an I-338 composite return affidavit stating that he has no other income taxable in to South Carolina. See I-348 Composite Return Instructions.

The heading of the composite return states the name, address and FEIN of the S Corporation. There is no need to use "Composite Return for" or "Shareholders of" in the name. Mark the box for filing a composite return. Mark "Single" filing status and one exemption for on the face 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

In order to extend the time allowed for filing a composite return, 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 on or before the 15th day of the 4th month following the end of the shareholder's taxable year.



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

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

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

Shareholder's name, address and ZIP code
Mr. X **sample page**

S Corporation's name, address and ZIP code
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

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	42,000	1		1	16,800	1	25,200
	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	700	5		5		5	700
	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	1,400	8		8		8	1,400
	9	Net Section 1231 gain (loss).....	9		9		9		9	
	10	Other income (loss).....	10		10		10		10	
Deductions	11	Section 179 deduction.....	11		11		11		11	
	12	Other deductions	12	2,800	12		12	1,120	12	1,680

13 Withholding tax for nonresident shareholder..... 13

List applicable South Carolina tax credits. (Attach an additional sheet if needed.)

Credits	14	_____						14	
	15	_____						15	
	16	_____						16	
	17	_____						17	
	18	Total South Carolina tax credits.....							18



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

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

Shareholder's identifying number S Corporation's FEIN

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

Ms. X XYZ Corporation

sample page

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

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

Table with 4 columns: 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

Table rows 1-10: Income (Loss) including Ordinary business income (18,000), Dividends (300), Net long-term capital gain (600)

Table rows 11-12: Deductions including Section 179 deduction and Other deductions (1,200)

Table row 13: Withholding tax for nonresident shareholder (570)

Table rows 14-18: Credits including Total South Carolina tax credits

REMINDERS

CORPORATE ELECTRONIC FILING

Taxpayers can file their South Carolina 1120/1120S (along with their federal corporate returns) electronically in a single transmission using third party tax preparation software. Check out our website at **dor.sc.gov** for information on developers that support corporate Fed/State electronic filing.

A **PENALTY AND INTEREST CALCULATOR** is available on our website at **MyDORWAY.dor.sc.gov**.

PAY ELECTRONICALLY FOR FREE AT MYDORWAY.dor.sc.gov (epay is no longer available)

- Corporate filers can submit SC1120-CDP (corporate declaration payments), SC1120-V (corporate tax/license fee payments), SC1120-T (corporate extension payment), and receivable payments.
- Payment must be submitted by credit card or by ACH Debit.
- Corporations must use their FEIN (Federal Employer Identification Number) in order to transmit their payments.

PAYMENT BY ELECTRONIC FUNDS TRANSFER

Corporations can pay income tax, estimated income tax, and license tax payments electronically. To get started the company must register with the SC Department of Revenue. The registration process takes up to three weeks. If you are interested in the EFT program, complete and submit form D-128 which can be found on our website at **dor.sc.gov**.

CONTACTING THE SC DEPARTMENT OF REVENUE

Toll Free Phone Assistance: 1-844-898-8542

TAXPAYER SERVICE CENTERS

Columbia Main Office:

300A Outlet Pointe Blvd
Columbia, SC 29210

Charleston Service Center:

2 South Park Circle, Ste 100
Charleston, SC 29407

Florence Service Center:

1452 West Evans St, Ste 100
Florence, SC 29502

Greenville Service Center:

545 N. Pleasantburg Dr, Ste 300
Greenville, SC 29607

Myrtle Beach Service Center:

1350 Farrow Pkwy, Ste 200
Myrtle Beach, SC 29577

Rock Hill Service Center:

454 Anderson Road S., Ste 202
Rock Hill, SC 29730

TAXPAYERS' BILL OF RIGHTS

The Taxpayers' Bill of Rights outlines the rights of South Carolina taxpayers. Find the full text in Title 12, Chapter 58 of the South Carolina Code of Laws.

- You have the right to apply for assistance from the SCDOR Taxpayer Rights' Advocate to facilitate a resolution for complaints and problems.
- You have the right to request and receive forms, instructions, information guides, and other written materials in plain and simple language.
- You have the right to receive notices with descriptions of the basis for and identification of any tax, interest and penalties due.

Under the provisions of SC Code Section 12-4-340, any outstanding liabilities due and owing to South Carolina Department of Revenue for more than 6 months may be assigned to a private collection agency for collecting actions.

THE FAMILY PRIVACY PROTECTION ACT

Under the Family Privacy Protection Act, the collection of personal information from citizens by the Department of Revenue is limited to the information necessary for the Department to fulfill its statutory duties. In most instances, once this information is collected by the Department, it is protected by law from public disclosure. In those situations where public disclosure is not prohibited, the Family Privacy Protection Act prevents such information from being used by third parties for commercial solicitation purposes.