



South Carolina Schedule NR Instructions

2023 Nonresident Schedule Instructions

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Before You Begin

- Use the Schedule NR if you are a nonresident of South Carolina or you are filing as a part-year resident.
- Check the **Schedule NR** box on the front of your SC1040.
- Attach the Schedule NR and a copy of your federal return to your SC1040.
- Do not submit your Schedule NR separately.
- We cannot process your return if you submit your Schedule NR separately or file it without a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN).
- South Carolina conforms to the Internal Revenue Code as amended through December 31, 2022, except as otherwise provided. If Internal Revenue Code sections adopted by South Carolina which expired on December 31, 2022 are extended, but not otherwise amended, by congressional enactment during 2023, these sections are also extended for South Carolina Income Tax purposes in the same manner that they are extended for federal Income Tax purposes.
- This instructional guide's references to form numbers and line descriptions on federal Income Tax forms were correct at the time of printing. If they have changed and you are unable to determine the proper line to use, contact the SCDOR Individual Income Tax section at 1-844-898-8542. Use these instructions as a guide when preparing your Schedule NR. They are not intended to cover all provisions of the law.
- You're required to provide your SSN on this tax form. If you are a nonresident or resident alien and cannot get an SSN, contact the IRS to apply for an ITIN for the purpose of filing Income Tax returns. South Carolina will accept this number in place of an SSN to process your Individual Income Tax returns. For more information, contact the IRS at **1-800-829-1040** or [irs.gov](https://www.irs.gov).

Line Instructions

Income and Exclusions

Enter on line 1 through line 15 your income and losses.

- Place losses in [brackets].
- Enter in Column A your total income reported on your federal return.
- Enter in Column B the total income taxed by South Carolina.
- Round all amounts to the nearest dollar.

Line 1: Wages, salaries, tips, and other compensation

Enter in Column B:

- All wages, salaries, tips, or other compensation reported to you as South Carolina income on your W-2s, **and**
- All wages you earned while a resident of South Carolina.

Nonresident service members:

Do not include in Column A:

- Military compensation paid to you if you are a resident of another state.

Do not include in Column B:

- Military compensation paid to you if you are a resident of another state.
- Income for services performed in South Carolina by the spouse of a service member under the provisions of the Federal Military Spouses Residency Relief Act if:
 - the spouse is not a resident of the state where the service member and spouse are living,
 - the spouse is in South Carolina solely to be with the service member,
 - the service member is in South Carolina on military orders, **and**
 - the spouse and service member are residents of the same state.

Do not make an adjustment if South Carolina is your state of legal residency.

Line 2 and Line 3: Taxable interest and dividends

Interest, dividend income, and interest from another state's obligations are taxable by South Carolina for the time you were a resident of South Carolina. Include in Column B the interest connected with a trade or business in South Carolina, regardless of your state of residency. Do not include in Column B interest income from US or South Carolina obligations.

Line 4: Taxable refunds, credits, or offsets of state and local Income Taxes

South Carolina does not tax a refund of state and local Income Taxes. Enter the amount from the federal 1040 in Column A. Do not enter an amount in Column B.

Line 5: Alimony received

Enter in Column B alimony received for the time you were a resident of South Carolina, if the alimony results from a divorce decree executed or modified before December 31, 2018.

Alimony received as a result of a divorce decree executed or modified after December 31, 2018 is not taxable.

Line 6: Business income or loss

Enter in Column B the income or loss resulting from businesses located in South Carolina. Indicate business losses in [brackets]. As of January 1, 2009, a business must add back any amount paid for services performed by an unauthorized alien if the amount is \$600 or more a year.

Line 7 and Line 8: Capital gain or loss and other gains or losses

Include in Column B gains or losses from:

- the sale of real property (land or buildings) located in South Carolina
- stocks or bonds sold while a resident of South Carolina

Any gain or loss reported in Column B must be supported by the appropriate federal schedules showing the location of the business or property.

Line 9 and Line 10: Taxable IRA distributions, pensions, and annuities

Enter in Column B the taxable amounts you received while a resident of South Carolina.

Line 11: Rental real estate, royalties, partnerships, estates, and trusts

Enter in Column B the income or loss from property located in South Carolina or from doing business in South Carolina.

Line 12: Farm income or loss

Enter in Column B the income or loss resulting from a farm located in South Carolina. As of January 1, 2009, a South Carolina business must add back any amount paid for services performed by an unauthorized alien if the amount is \$600 or more a year.

Line 13: Unemployment compensation

Enter in Column B the unemployment compensation paid from South Carolina or received while a resident of South Carolina.

Line 14: Taxable Social Security benefits

South Carolina does not tax Social Security or railroad retirement. Do not enter any of these amounts in Column B.

Line 15: Other income

Enter in Column B any other income earned while a resident of South Carolina or from sources within South Carolina for which there is no line provided on the return.

Other income includes:

- prizes
- awards
- gambling winnings
- director fees

Report a foreign earned income exclusion or net operating loss resulting while you were a South Carolina resident or from sources within South Carolina in [brackets].

Line 16: Total income

Add line 1 through line 15 of each column. Enter the total of each column.

Adjustments to Income

Report in this section federal adjustments to gross income.

- Enter amounts from your federal return in Column A.
- Enter the portion that applies to South Carolina in Column B.

The South Carolina adjustments on line 17 through line 28 cannot exceed 100% of the federal adjustment.

Line 17: Educator expenses

If you qualify for an educator expenses deduction for federal purposes, you are allowed a deduction in Column B. Calculate your allowable South Carolina deduction using the following formula:

$$\frac{\text{SC total income (line 16, Column B)}}{\text{Federal total income (line 16, Column A)}} \times \text{Line 17, Column A} = \text{SC adjustment in Column B}$$

Line 18: Certain business expenses of reservists, performing artists, and fee-basis government officials

Calculate your allowable South Carolina deduction using the following formula:

$$\frac{\text{SC total income (line 16, Column B)}}{\text{Federal total income (line 16, Column A)}} \times \text{Line 18, Column A} = \text{SC adjustment in Column B}$$

Line 19: Health savings account

Calculate your allowable South Carolina deduction using the following formula:

$$\frac{\text{SC compensation (line 19, Column A)}}{\text{Federal compensation}} \times \text{Line 19, Column A} = \text{SC adjustment in Column B}$$

Compensation is income you receive for providing personal services. This includes:

- wages
- salaries
- commissions
- tips
- professional fees
- bonuses
- self-employment income

Line 20: Moving expenses

You can deduct moving expenses if you are a member of the Armed Forces on active duty and you move because of a permanent change of station due to a military order. If you had allowable moving expenses on your federal 1040, and if your move was into South Carolina, you are allowed a full moving expense adjustment in Column B.

If you moved out of South Carolina, your expenses are **not** deductible.

Line 21 through line 23

If you have self-employment income earned from South Carolina and other states, calculate your allowable South Carolina deduction using the following formula:

$$\frac{\text{SC self-employment income}}{\text{Total self-employment income}} \times \text{Federal adjustment in Column A} = \text{SC adjustment in Column B}$$

Line 24: Penalty on early withdrawal of savings

Enter in Column B any penalty for early withdrawal of savings taxable to South Carolina.

Line 25: Alimony paid

If you paid alimony resulting from a divorce decree executed or modified before December 31, 2018, and it qualified for an adjustment for federal tax purposes, calculate your allowable South Carolina deduction using the following formula:

$$\frac{\text{SC total income (line 16, Column B)}}{\text{Federal total income (line 16, Column A)}} \times \text{Line 25, Column A} = \text{SC adjustment in Column B}$$

Line 26: IRA deduction

Determine your IRA adjustment for Column B using the percentage of your federal compensation that is South Carolina compensation. Calculate your allowable South Carolina deduction using the following formula:

$$\frac{\text{SC compensation}}{\text{Federal compensation}} \times \text{Line 26, Column A} = \text{SC adjustment in Column B}$$

Compensation is all income you receive for providing personal services. This includes:

- wages
- salaries
- commissions
- tips
- professional fees
- bonuses
- self-employment income

Line 27: Student loan interest deduction

If you qualify for a student loan interest deduction for federal purposes, you are allowed a deduction in Column B. Calculate your allowable South Carolina deduction using the following formula:

$$\frac{\text{SC total income (line 16, Column B)}}{\text{Federal total income (line 16, Column A)}} \times \text{Line 27, Column A} = \text{SC adjustment in Column B}$$

Line 28: Other adjustments to income

Enter in Column B any South Carolina portion of your federal adjustment to income for which there is no line provided.

Adjusted Gross Income

Line 31: Adjusted gross income

Federal adjusted gross income: Subtract line 30, Column A from line 16, Column A. Enter on line 31, Column A. This amount should equal the adjusted gross income from your federal return.

South Carolina adjusted gross income: Subtract line 30, Column B from line 16, Column B. Enter on line 31, Column B.

South Carolina Additions

Line 32: South Carolina additions to income

If you report items on this line, you must attach an explanation. The following common scenarios are examples of items which you may report on this line:

- If you claim bonus depreciation under federal law, you must add back the difference between the bonus depreciation taken and the depreciation that would have been allowed without bonus depreciation.
- A charitable contribution under IRC Section 170 for a gift of land must be added back unless the contribution meets the requirements of SC Code section 12-6-5590.
- Withdrawals from Catastrophe Savings Accounts are taxable to the extent the withdrawals exceed the qualified catastrophe expenses.
- If you made withdrawals from Catastrophe Savings Accounts that exceed the qualified catastrophe expenses, you must add back the difference between the amount withdrawn and the qualified catastrophe expenses.

South Carolina Subtractions

Line 33: South Carolina dependent exemption

A South Carolina dependent exemption is allowed for each eligible dependent, including both qualifying children and qualifying relatives. Eligible dependents are dependents claimed on your federal Income Tax return. See the worksheet below.

Worksheet for South Carolina dependent exemption	
1. South Carolina dependent exemption amount	1. <u>\$4,610</u>
2. Number of dependents claimed on your federal return	2. <u> </u>
3. Allowable deduction (multiply line 1 by line 2). Enter on line 33.	3. <u> </u>

Line 34: Net capital gain deduction

Net capital gains held for a period of more than one year and included in the South Carolina taxable income are reduced by 44% for South Carolina Income Tax purposes.

Net capital gain means the **excess of** the **net long-term** capital gain for the taxable year **over** the **net short-term** capital loss for the tax year. The South Carolina holding period for long-term capital gains is the same as the federal holding period. Income received from installment sales and capital gain distribution qualifies for this deduction if the more than one year holding period has been met. Multiply the net capital gain by 44% and enter the result.

Example: Taxpayer has a long-term (LT) gain on stock (held for more than one year) of \$10,000 and long-term loss on stock of \$3,000. Taxpayer also reports a short-term (ST) loss on stock held for six months of \$5,000.

SC Net LT Capital Gain	\$7,000 (10,000- 3,000)
- SC Net ST Capital Loss	- 5,000
<hr/>	<hr/>
SC Net Capital Gain	\$2,000
x Gain Deduction	x 44%
<hr/>	<hr/>
Amount to be deducted	\$880

Line 35a through line 35c: Retirement deductions for South Carolina residents

South Carolina taxes retirement income received while you are a resident of this state. An individual taxpayer who is the original owner of a qualified retirement account may claim this deduction.

An individual who is **under age 65** may claim a retirement deduction up to \$3,000 on qualified retirement income from their own plan.

An individual who is **age 65 or older** during the tax year may claim a retirement deduction up to \$10,000 on qualified retirement income from their own plan.

Line 35a: Include only qualified withdrawals from the taxpayer's own qualified retirement plan.

Line 35b: Include only qualified withdrawals from the spouse's own qualified retirement plan.

Line 35c: A surviving spouse receiving qualified retirement income on behalf of a deceased spouse may deduct up to \$3,000 or \$10,000 of the qualified retirement income, based on the age of the deceased spouse had they lived. The surviving spouse must receive the decedent's qualified retirement income as a surviving spouse.

The surviving spouse retirement deduction is in addition to the individual retirement deduction claimed from the taxpayer's own retirement plan.

If claiming the surviving spouse retirement deduction for more than one deceased spouse, calculate the deduction separately for each deceased spouse. Add the surviving spouse retirement deductions and enter the total on line 35c. Attach a statement showing the date of birth for each deceased spouse and the separate calculation for each deduction.

Qualified retirement income is income from plans defined in IRC 401, 403, 408, and 457 and all public employee retirement plans of the federal, state, and local governments, including individual retirement plans, Keogh plans, and military retirement.

Any portion of qualified retirement income received this tax year that resulted in a federal premature withdrawal penalty does not qualify for a retirement deduction.

Reduce the taxpayer and spouse retirement deductions by any military retirement deductions taken. Do not reduce the surviving spouse retirement deduction by any surviving spouse military retirement deduction taken.

Worksheet for taxpayer (line 35a)	
1. Maximum deduction allowed for taxpayer based on age (\$3,000 or \$10,000)	1. _____
2. Taxpayer's military retirement deduction (line 35d)	2. _____
3. Taxpayer's retirement deduction available (subtract line 2 from line 1; if less than zero, enter zero.)	3. _____
4. Taxpayer's individual qualified retirement income included in federal form and taxable to South Carolina (taxable IRA distributions, pensions, and annuities)	4. _____
5. Retirement deduction (lesser of line 3 and line 4). Enter on line 35a.	5. _____

Worksheet for spouse (line 35b)	
1. Maximum deduction allowed for spouse based on age (\$3,000 or \$10,000)	1. _____
2. Spouse's military retirement deduction (line 35e)	2. _____
3. Spouse's retirement deduction available (subtract line 2 from line 1; if less than zero, enter zero.)	3. _____
4. Spouse's individual qualified retirement income included in federal form and taxable to South Carolina (taxable IRA distributions, pensions, and annuities)	4. _____
5. Retirement deduction (lesser of line 3 and line 4). Enter on line 35b.	5. _____

Worksheet for surviving spouse (line 35c)	
Calculate separately for each deceased spouse.	
1. Maximum deduction allowed for surviving spouse based on age of deceased spouse had they lived (\$3,000 or \$10,000 for each deceased spouse)	1. _____
2. Qualified retirement income received as surviving spouse included in federal form and taxable to South Carolina (taxable IRA distributions, pensions, and annuities)	2. _____
3. Retirement deduction (lesser of line 1 or line 2). Enter on line 35c.	3. _____

Line 35d through line 35f: Military retirement deduction for South Carolina residents

Beginning with tax year 2022, individuals may deduct all military retirement income included in their South Carolina taxable income. Reduce the retirement deduction (line 35a and line 35b) and the age 65 and older deduction (line 36a and line 36b) by the amount of the military retirement deduction taken.

Line 38: Contributions to the SC College Investment Program (Future Scholar) or to the SC Tuition Prepayment Program

- You may deduct 100% of any contributions to the SC College Investment Program made between January 1, 2023 and April 15, 2024.
- You may deduct 100% of any contributions to the SC Tuition Prepayment Program made between January 1, 2023 and December 31, 2023.

Line 39: Active trade or business income

You may be able to elect to have South Carolina active trade or business income from a pass-through business taxed at a flat 3% rate. For more information, see the I-335, available at dor.sc.gov/forms. Enter the amount from I-335, line 5 here.

Line 40: Consumer protection services

An individual may deduct the costs of a monthly or annual contract or subscription for identity theft protection and resolution services. The deduction is only for individuals who filed a return with the SCDOR for a tax year between 1998 and 2012 or whose Personal Identifiable Information (PII) was included on another's return. An individual who deducted the same actual costs as a business expense may not claim the deduction.

The deduction is limited to:

- \$300 for an individual taxpayer
- \$1,000 for a married filing jointly return
- \$1,000 for a return claiming dependents

Identity theft protection includes products and services designed to prevent an incident of identity fraud or identity theft. It protects against the disclosure of your PII (for example, your SSN) by preventing a third party from using unauthorized access to your PII to obtain financial resources or other products, benefits, or services.

Identity theft resolution services include products and services designed to assist persons whose PII was obtained by a third party. This minimizes the effects of the identity fraud or identity theft incident and restores the person's identity to its pre-theft status.

Line 41: Other subtractions

Enter on line 41, Column B, any other deductions for which there is no line provided. These deductions are allowable only if the corresponding income is reported in Column B.

Some examples of items which may be subtracted on this line are:

- income for Reserve or National Guard received for weekend drills and customary training periods
- subsistence allowances for:
 - law enforcement officers
 - full-time firefighters
 - full-time emergency medical service personnel

- volunteer deduction for:
 - volunteer firefighters
 - volunteer rescue squad members
 - HAZMAT members
 - reserve police officers
 - DNR deputy enforcement officers
 - State Guard members
 - state constables
- deduction for the adoption of a special needs child
- deduction for amounts contributed and interest income earned by a Palmetto Able Account Expense Fund
- deduction for additional clinical rotations served by eligible physicians, advanced practice registered nurses, or physician assistants who are eligible for the Preceptor Credit claimed on the TC-62. The TC-62 is available at dor.sc.gov/forms for information on calculating the deduction. For additional information on the Preceptor Credit and deduction, see SC Revenue Ruling #20-2, available at dor.sc.gov/policy.

See the SC1040 instructions, available at dor.sc.gov/forms, for a detailed explanation of these deductions.

Line 43: Total South Carolina adjustments

Subtract line 42 from line 32 (if line 32 is zero, enter the amount from line 42 as a negative number in [brackets] on line 43).

Proration and Deduction

Line 45: Proration

Divide line 31, Column B, by line 31, Column A. Enter the result on line 45. Round to the second decimal.

Line 46: Deduction adjustment

Part I - Itemized Deductions

If you itemized deductions on your federal return, enter the total itemized deductions on line 46, Part I. If you did not itemize deductions on your federal return, enter the standard deduction on line 46, Part I.

Part II - State Tax Adjustment

If you itemized your deductions on your federal Income Tax return and deducted state and local Income Tax or general Sales Tax, you may be required to subtract all or part of this amount from your total federal itemized deductions when computing your South Carolina taxable income.

The federal law limits your total deduction for state and local Income, Sales, and Property taxes to a combined total deduction of \$10,000 (\$5,000 if married filing separately). Any state and local taxes paid above this amount cannot be deducted on your federal return.

In determining the state tax adjustment for a taxpayer whose tax deduction is limited to \$10,000, you may first apply real or personal Property Taxes reported on federal Schedule A, line 5b and line 5c before applying state and local Income Taxes or general Sales Taxes reported on federal Schedule A, line 5a.

The state tax adjustment required for South Carolina is the lesser of your:

- a. itemized deductions in excess of the standard deduction that would have been allowed if you had used the standard deduction for federal Income Tax purposes
- b. state and local Income Taxes or general Sales Taxes from your federal 1040, Schedule A, line 5a,
or
- c. the \$10,000 federal tax deduction limit minus deductible Property Taxes

Use the worksheet below to compute the state tax adjustment on the Schedule NR. Do not submit the worksheet. Keep the worksheet with your tax records.

Worksheet for state tax adjustment	
1. Itemized deductions from Part I	1. _____
2. Enter the federal standard deduction you would have been allowed if you had not itemized. Enter zero if filing status is married filing separately (MFS). (See federal instructions.)	2. _____
3. Subtract line 2 from line 1. (Enter zero if line 2 is greater than line 1.)	3. _____
4. Enter the amount of state and local Income Taxes or general Sales Taxes from federal Schedule A.	4. _____
5. Subtract real estate taxes and personal Property Taxes reported on federal Schedule A from the federal limit of \$10,000 (\$5,000 if MFS). Enter the difference, but not less than zero.	5. _____
6. Enter the lesser of line 3, line 4, or line 5. Enter this amount on line 46, Part II of Schedule NR.	6. _____

Part III - Other expenses

Enter the total amount of other expenses that were included in the federal itemized deductions.

Other expenses include:

- Expenses deducted on the federal return related to any income that is exempt or not taxed by South Carolina.
Some examples are:
 - investment interest to out-of-state partnerships and
 - interest paid to purchase US obligations
- Miscellaneous federal Estate Tax deduction on income of decedent

Total other expenses (enter on line 46, Part III) III. _____

Part IV - Total Deductions Adjustment

Subtract the state tax adjustment (Part II) and other expenses (Part III) from itemized deductions (Part I).

Total of Part I, minus Part II and Part III (enter on line 46)..... IV. _____

Line 48: South Carolina taxable income

Enter this amount on line 5 of your SC1040. If less than zero, enter zero.

Reminders

- If you or your spouse, if married filing jointly, were a part-year resident of South Carolina during the tax year, provide your dates of residency at the top of the Schedule NR.
- Check the **Schedule NR** box on the front of your SC1040.
- Attach the Schedule NR and a copy of your federal return to your SC1040.
- Do not submit your Schedule NR separately. We can't process your return if you submit your Schedule NR separately.
- Keep a complete copy of your return, including attachments. Do not mail your only copy of any tax document.
- We can't process your return if it is filed without an SSN or ITIN.

Social Security Privacy Act Disclosure

It is mandatory that you provide your Social Security Number on this tax form if you are an individual taxpayer. 42 U.S.C. 405(c)(2)(C)(i) permits a state to use an individual's Social Security Number as means of identification in administration of any tax. SC Regulation 117-201 mandates that any person required to make a return to the SCDOR must provide identifying numbers, as prescribed, for securing proper identification. Your Social Security Number is used for identification purposes.

The Family Privacy Protection Act

Under the Family Privacy Protection Act, the collection of personal information from citizens by the SCDOR is limited to the information necessary for the SCDOR to fulfill its statutory duties. In most instances, once this information is collected by the SCDOR, 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.