



STATE OF SOUTH CAROLINA  
DEPARTMENT OF REVENUE

300A Outlet Pointe Blvd., Columbia, South Carolina 29210  
P.O. Box 12265, Columbia, South Carolina 29211

SC REVENUE PROCEDURE #16-1

- SUBJECT:** C Corporations – Reporting Federal Income Tax Adjustments Made by the Internal Revenue Service (Income Tax)
- EFFECTIVE DATE:** Applies to C corporation federal income tax adjustments reported to the Department on or after November 1, 2016.
- SUPERSEDES:** All previous documents and any oral directives in conflict herewith.
- REFERENCES:** S.C. Code Ann. Section 12-54-85 (2014)
- AUTHORITY:** S. C. Code Ann. Section 12-4-320 (2014)  
SC Revenue Procedure #09-3
- SCOPE:** A Revenue Procedure is a statement which provides information of a procedural nature. It is valid and remains in effect until superseded or modified by a change in the statute or regulations or a subsequent court decision, Revenue Procedure or Revenue Ruling.

**Overview**

South Carolina Code Section 12-54-85 provides the time limitations in which a tax may be assessed by the Department or a claim for refund may be made by a taxpayer. The general rules in Code Section 12-54-85(A) and (F) provide that taxes must be determined and assessed within 36 months from the date the return or document was filed or due to be filed, whichever is later and that claims for refund must be filed within three years from the time the return was filed, or two years from the date the tax was paid, whichever is later.<sup>1</sup>

Code Section 12-54-85(D) provides an exception to these general time limitations for assessment of taxes resulting from adjustments of the Internal Revenue Service and for claims for refund resulting from an overpayment due to changes in taxable income made by the Internal Revenue Service.

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<sup>1</sup> See SC Revenue Procedure #13-1 for additional guidance on the time limitations for refund claims.

Code Section 12-54-85(D)(2) provides for the reporting of changes in taxable income made by the Internal Revenue Service, and reads:

A person, including a pass-through entity, who conducts a trade or business, other than a trade or business of being an employee, shall notify the department in writing of all changes in taxable income reported to the Internal Revenue Service when the taxable income is changed by the Internal Revenue Service. Notification to the department must be made before one hundred eighty days after a final determination of a tax adjustment is made by the Internal Revenue Service.

Code Section 12-54-85(D)(4) provides the date the Internal Revenue Service makes a final determination of a tax adjustment is the federal assessment date.

The purpose of this advisory opinion is to provide a streamlined, alternative reporting process for C corporations to notify the Department of federal tax adjustments under Code Section 12-54-85.

### **Procedure for C Corporations Reporting Changes in Taxable Income Resulting from Federal Income Tax Adjustments Made by the Internal Revenue Service**

**General Method – Amended Return.** Generally, a C corporation reports corrections or changes to a previously filed South Carolina income tax return, including changes resulting from federal tax adjustments made by the Internal Revenue Service, by filing an amended South Carolina corporate income tax return (Form SC 1120). The adjustments reported may result in additional South Carolina tax due or a South Carolina refund.

**Optional Method – Streamlined Format.** In lieu of filing an amended corporate return (Form SC 1120), the Department will allow C corporations to report changes in taxable income resulting from federal tax adjustments made by the Internal Revenue Service by using a streamlined reporting method. An approved sample reporting format is attached.<sup>2</sup> A copy of the federal final determination must be attached to the C corporation's submission. A taxpayer-created spreadsheet is acceptable, provided that all information on the approved sample reporting format is reflected. The streamlined format must provide the name and contact information of an authorized representative of the C corporation. For purposes of Title 12, the Department will treat the streamlined reporting method as the filing of an amended return by the C corporation.

**Note:** The streamlined format may only be used to report changes resulting from federal income tax adjustments made by the Internal Revenue Service. Other adjustments must be reported by filing an amended corporate return (Form SC 1120).

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<sup>2</sup> This format is based on a model provided in a policy statement issued by the Tax Executives Institute recommending the streamlining and uniform reporting of federal income tax changes to state tax authorities.

“Consolidated” (Combined) Returns. South Carolina has not adopted the federal consolidation rules in Internal Revenue Code Sections 1501 through 1505.<sup>3</sup> South Carolina’s “consolidated” return treats each member of an affiliated group as a separate taxpayer. This approach requires the computation of the separate net income or loss of each member with the application of separate apportionment ratios for each. The separate South Carolina income or loss of each member is added together to arrive at combined, “consolidated,” net income upon which the tax is computed.<sup>4</sup>

A South Carolina “consolidated” group using the optional method to report its federal tax adjustments made by the Internal Revenue Service must show the adjustments for each member of the South Carolina consolidated group.

Submission of Optional Method. A taxpayer using the optional method may send the adjustments to the Department by email or mail to the following address:

E-mail address: [CorporateRAR@dor.sc.gov](mailto:CorporateRAR@dor.sc.gov)

Mailing address:

South Carolina Department of Revenue  
Attn: Foreign Audit  
PO Box 125  
Columbia, SC 29214

### **Questions**

For questions concerning the optional method for C corporations reporting changes in taxable income resulting from federal income tax adjustments, please contact the Department’s Foreign Audit Division via email at [CorporateRAR@dor.sc.gov](mailto:CorporateRAR@dor.sc.gov) or by calling 803-898-5619.

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/Rick Reames  
Rick Reames, Director

December 8, 2016  
Columbia, South Carolina

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<sup>3</sup> See Code Section 12-6-50 for Internal Revenue Code sections specifically not adopted by South Carolina.

<sup>4</sup> Code Section 12-6-5020 provides the rules for filing a South Carolina “consolidated” return.

**SAMPLE**  
**Optional Method for C Corporation**  
**Reporting Federal Income Tax Adjustments<sup>5</sup>**

Name of Taxpayer: \_\_\_\_\_  
 FEIN: \_\_\_\_\_  
 SC Corporate File No.: \_\_\_\_\_  
 Fed. Assessment Date: \_\_\_\_\_

| <u>For Income Tax Period Ended xx/xx/xx</u>                |  |   |                   |
|--|--|---|-------------------|
|  | <u>Last Reported on<br/>Form SC 1120</u> | <u>SC Changes<br/>Resulting from<br/>IRS Adjustment</u> | <u>SC Amended</u> |
| Federal Taxable Income of filing Entity<br>for SC Purposes | 0  | 0   | 0                 |
| <b><i>Additions:</i></b>                                   |  |   |                   |
| Federal NOL Deduction                                      | 0  | 0   | 0                 |
| State and Local Interest                                   | 0  | 0   | 0                 |
| Depreciation   | 0  | 0   | 0                 |
| State and Local Taxes                                      | 0  | 0   | 0                 |
| Foreign Taxes  | 0  | 0   | 0                 |
| Related Party Expenses                                     | 0  | 0   | 0                 |
| Other (List)   | 0  | 0   | 0                 |
| <b>Total Additions:</b>                                    | 0  | 0   | 0                 |
| <b><i>Subtractions:</i></b>                                |  |   |                   |
| Foreign Dividends  | 0  | 0   | 0                 |
| Subpart F Income   | 0  | 0   | 0                 |
| Foreign Dividend Gross-Up                                  | 0  | 0   | 0                 |
| Foreign Source Income                                      | 0  | 0   | 0                 |
| Depreciation   | 0  | 0   | 0                 |
| US Treasury Interest                                       | 0  | 0   | 0                 |
| State and Local Tax Refunds                                | 0  | 0   | 0                 |
| Other (List)   | 0  | 0   | 0                 |
| <b>Total Subtractions:</b>                                 | 0  | 0   | 0                 |
| Modified Federal Taxable Income                            | 0  | 0   | 0                 |
| Net Nonbusiness Income/(Loss) – Total                      | 0  | 0   | 0                 |
| Apportionable Income                                       | 0  | 0   | 0                 |
| Apportionment Factor                                       | %  | %   | %                 |

<sup>5</sup> See Code Section 12-54-85 and SC Revenue Procedure #16-1.

|   |   |   |   |
|---|---|---|---|
| State Apportioned Income                | 0 | 0 | 0 |
| Net Nonbusiness Income/(Loss) – State   | 0 |   | 0 |
| Total Income Before NOL                 | 0 | 0 | 0 |
| State NOL Deduction (enter as positive) | 0 |   | 0 |
| State Income Subject to Tax             | 0 | 0 | 0 |
| State Tax Rate                          | % | % | % |
| State Tax Before Credits                | 0 |   | 0 |
| Minimum Tax (if applicable)             | 0 |   | 0 |
| State Tax                               | 0 |   | 0 |
| State Credits (enter as positive)       | 0 |   | 0 |
| Income Tax After Credits                | 0 |   | 0 |
| Additional Tax Due/(Refund)             |   |   | 0 |

*Please print or type the name of an authorized representative, which will be considered a signature for this amended return, and other contact information as requested below.*

**Authorized Representative:**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Email: \_\_\_\_\_

Phone: \_\_\_\_\_

Date: \_\_\_\_\_