
State of South Carolina
Department of Revenue
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SC INFORMATION LETTER #14-11

SUBJECT: Final Treasury Regulations – Capitalization and Deduction for Tangible Personal Property

DATE: September 3, 2014

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
SC Revenue Procedure #09-3

REFERENCES: S.C. Code Ann. Section 12-6-40 (2014)
S.C. Code Ann. Section 12-6-50 (2014)
S.C. Code Ann. Regs. 117-1840 (2012)

SCOPE: An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

In September 2013, the Internal Revenue Service issued final regulations under I.R.C. §§ 162(a) and 263(a) relating to when taxpayers must capitalize or deduct expenses for amounts paid to acquire, produce, or improve tangible personal property.¹ The final regulations replace temporary regulations under I.R.C. §§ 162(a) and 263(a) and generally apply to taxable years beginning on or after January 1, 2014.²

For income tax purposes, South Carolina has adopted I.R.C. §§ 162(a) and 263(a) and the regulations thereunder.³ Accordingly, for income tax purposes, the Department will follow the final regulations under I.R.C. §§ 162(a) and 263(a) to the extent that the final regulations are applicable to the tax year(s) in question. In addition, adoption of the final regulations may impact other South Carolina taxes. For example, subject to certain limitations, some South Carolina property taxes are calculated using the property's income tax basis. See S.C. Code Ann. § 12-37-930 (2014); S.C. Code Ann. Regs. 117-1840.1 (2012).

¹T.D. 9636, 2013-43 I.R.B. 331.

²As provided in the regulation transition rules, taxpayers may apply the final regulations to tax years beginning on or after January 1, 2012.

³South Carolina generally conforms to the I.R.C. for income tax purposes. Code Section 12-6-40. See Code Section 12-6-50 for sections of the I.R.C. specifically not adopted by South Carolina.