



301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

SC INFORMATION LETTER #88-3

TO: Vicki Jinnette
Public Information Officer

FROM: John Swearingen, Manager
Tax Policy and Procedures Department

DATE: February 29, 1988

SUBJECT: Tax on Lump-Sum Distributions/Capital Gain Election

REFERENCE: S.C. Code Ann. Section 12-7-410
S.C. Code Ann. Section 12-7-455(1)

AUTHORITY: S.C. Code Section 12-3-140
SC Revenue Procedure #87-3

SCOPE: An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts.

Taxpayers who elect to treat part of a lump sum distribution from pre-74 participation as capital gain for Federal purposes are required to make the same election for State purposes. The tax for State purposes will be computed by multiplying the capital gain from box 2 of Form 1099-R by 2.8% (.028).

This election is made on Form 4972 for Federal purposes and Form SC4972 for State purposes. Form SC4972 does not provide the necessary lines in Part II to make the computation. A new SC4972 is being prepared. In the interim, taxpayers may use the Federal Form 4972 and substitute S.C. tax rates for Federal tax rates when this election is made. After computation, the tax is entered on line 8 of SC1040.