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SC INFORMATION LETTER #88-6

TO: Vicki Jinnette  
Public Information Officer

FROM: John Swearingen, Manager  
Tax Policy and Procedures Department

DATE: March 31, 1988

SUBJECT: Income Tax/Election of Taxable Year Other than Required Taxable Year

REFERENCE: S.C. Code Ann. Section 12-7-20(11) (As Amended 1/28/1988)

AUTHORITY: S.C. Code Ann. Section 12-3-140 (1976)  
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.

S.C. Code Section 12-7-20(11) was amended effective February 2, 1988 to conform South Carolina income tax laws to the Internal Revenue Code as amended through December 31, 1987. This would include IRC Section 444 which allows partnerships, S corporations and personal service corporations to elect to have a taxable year other than the required taxable year.

The effect of this election under IRC Section 444 is that partnerships and S corporations must make payments as required by IRC Section 7519. Personal service corporations that make this election are subject to the deduction limitations of IRC Section 280H.

South Carolina has not adopted IRC Section 7519. Therefore, the payments as required by IRC Section 7519 are not required for state purposes.

South Carolina has adopted IRC Section 280H. Thus a personal service corporation that makes the election under IRC 444 would be subject to the deduction limitations of IRC Section 280H.