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SC INFORMATION LETTER #89-19

TO: Vicki Jinnette
Public Information Director

FROM: John Swearingen, Manager
Tax Policy and Procedures Department

DATE: June 23, 1989

SUBJECT: Backup Income Tax Withholding

REFERENCE: S.C. Code Ann. Section 12-9-30 (Added effective
July 1, 1989)

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.

South Carolina backup income tax withholding is imposed on reportable payments in the same manner as provided by IRC Section 3406, except that the amount to be withheld is four (4) percent of the payment. S.C. Code Section 12-9-30, which requires backup income tax withholding is effective for payments made after July 1, 1989.

Payors are required to deduct and withhold from payments of interest, dividends, patronage dividends and other reportable payments a tax equal to four (4) percent of the payment if:

- (A) the payee fails to furnish his TIN to the payor in the manner required,
- (B) the Commission notifies the payor that the TIN furnished by the payee is incorrect,
- (C) the Commission notifies the payor that backup withholding should be started or
- (D) the payee fails to certify to the payor, when required, that (1) the payee is not subject to backup withholding or (2) the TIN provided to the payor is correct.

Other reportable payments for purposes of backup withholding include payments of rents, royalties, nonemployee compensation, transactions by brokers and barter exchanges. TIN is the payee's taxpayer identification number.