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SC INFORMATION LETTER #89-34

TO: Vicki Jinnette  
Public Information Director

FROM: Jerry B. Knight, Manager  
Tax Policy and Appeals Department

DATE: October 12, 1989

SUBJECT: American Red Cross - Disbursing Orders  
(Sales and Use Tax)

REFERENCE: S.C. Code Ann. Section 12-35-550(42) (Supp. 1988)

AUTHORITY: S.C. Code Ann. Section 12-3-140 (1976)  
SC Revenue Procedure #87-3

The American Red Cross ("Red Cross") is an instrumentality of the United States government. Department of Employment et.al. v. United States, 385 US 355 (1966). Sales to, or purchases by, the Red Cross are therefore exempt from the sales and use tax, pursuant to Code Section 12-35-550(42).

As part of its effort to assist persons who suffered losses due to Hurricane Hugo, the Red Cross has issued, and will continue to issue, "Disbursing Orders". Such orders are given to storm victims who, upon presentation of the order to a merchant, may receive the specific supplies and services listed on the order. If the storm victim exceeds the dollar limit authorized by the order for a specific item, the Red Cross will only pay the amount authorized. The excess amount must be paid by the storm victim.

The merchant, after delivery of the supplies or performance of the service, presents the Disbursing Order to the Red Cross. The merchant must also provide the Red Cross receipts and other documentation. The merchant is then paid by the Red Cross.

The Commission, upon review of these transactions, has determined that such sales are sales to the Red Cross, and exempt as sales to the federal government. However, any amount paid by the storm victim for tangible personal property is subject to the tax.

Merchants should retain their copies of the Disbursing Orders in order to document tax exempt sales to the Red Cross.