

# **PUBLIC DRAFT**

Circulated for Public Comments

Comments Due by: **September 19, 2017**

## **WORKING DRAFT CREDIT FORM – UNOFFICIAL FORM I-385**

The attached draft form I-385, Motor Fuel Income Tax Credit,” is not an official Department of Revenue tax form. This sample form is included with this draft advisory opinion to better explain how taxpayers will claim the refundable motor fuel income tax credit beginning on their 2018 income tax return (generally first filed in the spring of 2019).

The sample form should not be used when filing a tax return. The final form I-385 and instructions may differ and should be available in the fall of 2018.

# PUBLIC DRAFT

Circulated for Public Comments

Comments Due by: **September 19, 2017**

## DRAFT TAX CREDIT FORM (Revised 9/05/2017)

### TAX YEAR 2018 – MOTOR FUEL INCOME TAX CREDIT – Form I-385

Taxpayer Name \_\_\_\_\_ SSN/FIN \_\_\_\_\_

#### PART I - VEHICLE INFORMATION

VEHICLE 1 REGISTERED IN SOUTH CAROLINA		VEHICLE 2 REGISTERED IN SOUTH CAROLINA	
Registered Name		Registered Name	
Make		Make	
Model		Model	
Year		Year	
Tag #		Tag #	
If a truck, is the empty weight 9,000 pounds or less and the gross weight 11,000 pounds or less? Yes <input type="checkbox"/> No <input type="checkbox"/> If no, truck does not qualify.		If a truck, is the empty weight 9,000 pounds or less and the gross weight 11,000 pounds or less? Yes <input type="checkbox"/> No <input type="checkbox"/> If no, truck does not qualify.	
If registered in name of sole proprietorship or disregarded LLC, check box. <input type="checkbox"/>		If registered in name of sole proprietorship or disregarded LLC, check box. <input type="checkbox"/>	
If above listed vehicle replaced a trade in or totaled vehicle, check box. <input type="checkbox"/>		If above listed vehicle replaced a trade in or totaled vehicle, check box. <input type="checkbox"/>	

#### PART II – PREVENTATIVE MAINTENANCE COSTS INCURRED IN SOUTH CAROLINA

	Vehicle 1 – Maintenance Costs	Vehicle 2 – Maintenance Costs
New Tires		
Oil Changes		
Regular Maintenance		
Other		
Total		

#### PART III – INCREASE IN SOUTH CAROLINA MOTOR FUEL USER FEE

	Vehicle 1 – User Fee Increase	Vehicle 2 – User Fee Increase
Number of Gallons purchased in SC		
x Average Motor Fuel User Fee Increase for 2018	3¢	3¢
Total		

#### PART IV – MOTOR FUEL INCOME TAX CREDIT COMPUTATION

Vehicle 1		Vehicle 2	
Lesser of Part II or III	\$	Lesser of Part II or III	\$
x Credit Adjustment Factor	<b>x to be provided</b>	x Credit Adjustment Factor	<b>x to be provided</b>
Total Credit	\$	Total Credit	\$

Total Credit for Vehicle 1	\$
Total Credit for Vehicle 2	\$
<b>TOTAL MOTOR FUEL INCOME TAX CREDIT</b>	<b>\$</b>

# PUBLIC DRAFT

Circulated for Public Comments

Comments Due by: **September 19, 2017**

## DRAFT INSTRUCTIONS TO FORM I-385

### General Instructions

#### Purpose of Form I-385

Use Form I-385 if you are a resident taxpayer claiming a refundable credit for the lesser of the increase in South Carolina motor fuel user fee you paid during the tax year or the preventative maintenance costs you incurred in South Carolina during the tax year.

#### Additional Information

For more information about calculating and claiming the motor fuel income tax credit, see South Carolina Revenue Ruling #17-DRAFT TBD.

#### Definitions and Terms

Resident Taxpayer. A resident taxpayer includes an individual (full-year or part-year resident), partnership, corporation, trust, estate or any other entity subject to South Carolina income tax or required to file an income tax return. Only a resident taxpayer is eligible for the credit.

Private Passenger Motor Vehicle. A private passenger motor vehicle is defined as a:

- motor vehicle designed, used, and maintained for the transportation of 10 or fewer persons and
- truck having an empty weight of 9,000 pounds or less and a gross weight of 11,000 pounds or less. Code Section 56-3-630.

Motorcycle. A motorcycle is a motor vehicle having no more than two permanent functional wheels in contact with the ground or trailer and having a saddle for the use of the rider. A motorcycle three-wheel vehicle, or motor-driven cycle registered in South Carolina in the name of the resident taxpayer each qualify for the credit. A moped does not qualify for the credit until November 19, 2018. A tractor is not included in the definition of motorcycle. For complete definitions see Title 56.

#### Recordkeeping

If you claim this credit, you must keep records (receipts) to prove the date, amount and the type of the preventative maintenance expenses incurred in South Carolina for each vehicle and records (receipts) to prove the number of gallons of motor fuel purchased in South Carolina for each vehicle. The DOR does not require you to submit the detailed information with your return. However, the information used to compute your credit should be part of your permanent records to provide to DOR if the DOR questions the credit on your return.

# PUBLIC DRAFT

Circulated for Public Comments

Comments Due by: **September 19, 2017**

## Specific Instructions

**Part I** – A credit is allowed for up to two vehicles registered in South Carolina per resident taxpayer. The credit is computed separately for each vehicle or motorcycle (i.e., Vehicle 1 and Vehicle 2).

If you claim the credit for a car registered in South Carolina in your name, you must answer certain questions and provide specific information about your vehicle or motorcycle. The information relates to the identification of the vehicle or motorcycle – the make, model, and year of the vehicle, and the vehicle tag number.

Combination of Two Vehicles or Motorcycles. A taxpayer may claim a credit for up to two private passenger motor vehicles or motorcycles, provided the vehicles or motorcycles are registered in South Carolina in the name of the resident taxpayer. If a taxpayer owns or leases more than two vehicles or motorcycles in the tax year, then the taxpayer may choose a combination of any two to use in computing the credit. The choice of qualifying vehicles is made each tax year by each taxpayer. One taxpayer may not claim a credit for two private passenger motor vehicles and two motorcycles. (See Trade In or Total Loss Vehicle below.)

Trade In or Total Loss Vehicle (“One Vehicle Equivalent”). A taxpayer who trades in or totals a vehicle eligible for the credit (Vehicle A) and replaces it with another eligible vehicle (Vehicle B), may count Vehicles A and B as “one vehicle equivalent” (Vehicle 1) when determining the number of vehicles a taxpayer may use in computing the credit. The taxpayer will combine the motor fuel expenses and the preventative maintenance expenses of the “old” vehicle (Vehicle A) and the “new” vehicle (Vehicle B) and report the combined expenses for purposes of the credit as Vehicle 1. If the taxpayer owns another eligible vehicle (Vehicle C), then it may qualify as Vehicle 2 in computing the credit.

Married Filing Jointly Filing Status. If your filing status is married filing jointly for the tax year, each spouse should complete a separate Form I-385. For a couple filing a joint return, the number of vehicles or motorcycles eligible for the credit by each spouse depends upon the name or names in which the vehicle is registered. One taxpayer may claim a credit for up to two private passenger motor vehicles or motorcycles registered in his name. It is possible for a married couple filing a joint return to claim credit for up to four vehicles or motorcycles.

Sole Proprietorship or Disregarded Limited Liability Company. For a vehicle registered in the name of a sole proprietorship, the individual owning the sole proprietorship is the taxpayer for purposes of this credit. For a vehicle registered in the name of a disregarded single member limited liability company, the owner of the disregarded entity (i.e., the individual, partnership, or corporation) is the taxpayer for purposes of the credit.

If a resident individual owns two vehicles in his name and his sole proprietorship owns one vehicle in its name then the individual must choose which two of the three vehicles to use in computing the credit. The individual may not claim a credit for three vehicles and the sole

# PUBLIC DRAFT

Circulated for Public Comments

Comments Due by: **September 19, 2017**

proprietorship may not claim a credit for any vehicle. The result is the same if the vehicle is owned in the name of a single member limited liability company that is disregarded for tax purposes.

**Part II** – Enter actual preventative maintenance expenses for new tires, oil changes, regular maintenance, and other preventative maintenance incurred in South Carolina during the tax year for operating the vehicle. If you have two vehicles registered in your name, use a separate column in Part II for each vehicle – Vehicle 1 and Vehicle 2. Keep separate records for each vehicle.

**Part III** – Enter the total annual gallons of gasoline, gasohol, diesel or alternative fuel (e.g., compressed natural gas, liquefied petroleum gas or liquefied natural gas) purchased in South Carolina during the tax year for operating the vehicle. If you have two vehicles registered in your name, use a separate column in Part II for each vehicle – Vehicle 1 and Vehicle 2. Keep separate records for each vehicle. The expenses are determined based on actual expenses. The computation of the credit is determined without regard to a taxpayer: (1) deducting the South Carolina fuel and maintenance expenses as an ordinary and necessary business expense, (2) deducting the employee business expense as a miscellaneous itemized deduction, or (3) receiving any mileage reimbursement provided by an employer. See Internal Revenue Code Sections 162 and 212.

For taxpayers using compressed natural gas (measured in cubic feet), liquefied petroleum gas, or liquefied natural gas in eligible vehicles, the product must be converted to gallon equivalents in order to determine the motor fuel user fee increase per gallon. Each 126.67 cubic feet of compressed natural gas (or 5.66 pounds if the compressed natural gas is dispensed via a mass flow meter) equals one gallon of motor fuel. Each gallon of liquefied petroleum gas equals .73 of a gallon. Each 6.06 pounds of liquefied natural gas equals one gallon of motor fuel. See Code Sections 12-28-120, 12-28-110(73) and 12-28-110(74).

**Part IV** – For Vehicle 1, enter the lesser of the preventative maintenance costs incurred in South Carolina or the increase in the South Carolina motor fuel user fee. For Vehicle 2, enter the lesser of the preventative maintenance costs incurred in South Carolina or the increase in the South Carolina motor fuel user fee.

Add the amounts from both columns and enter the total motor fuel income tax credit. Enter the total motor fuel income tax credit on your income tax return. See specific income tax form instructions for rules on where to enter the credit amount. The credit is refundable.