



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

SC PRIVATE LETTER RULING #87-8

TO: Department of ABC

SUBJECT: Tax Status of XYZ's Thrift Store

REFERENCE: Opinion of the Attorney General, No. 3400, Oct. 25, 1972,
S.C. Code Section 12-37-450

AUTHORITY: S.C. Code Section 12-3-170

SCOPE: A Private Letter Ruling is a temporary document issued to a taxpayer, upon request, and it applies only to the specific facts or circumstances related in the request. Private Letter Rulings have no precedential value and are not intended for general distribution.

Question:

- 1) Is the Thrift Shop operated by the XYZ required to file an income tax return?
- 2) Is the inventory held by the thrift shop subject to property tax?

Facts:

The Department of ABC operates, among other things, a sheltered residence program known as the Place for Private Living. The focus of the activities at the Center is on the Living Skills program which is designed to rehabilitate mentally ill individuals so that they can function as independently as possible.

In October, 1986, as an extension of the Living Skills Program, the center leased retail space on Somewhere Street in Public, USA, and has opened a thrift store on the premises. The property was leased in the name of the Place for Private Living.

The store is operated with the intention of providing a variety of experiences to those individuals in the program who work there, including the keeping of regularly scheduled work hours, carrying out assigned tasks in a job like setting and dealing with the public who patronize the store. No wages are paid to patients who work in the store.

The store maintains a separate zero balance composite account. All proceeds from the sales of merchandise have to date been used to defray expenses and, in some cases, to purchase items of general benefit to the residents. To date, the store has not generated sufficient income to meet expenses and is subsidized from the Center's budget.

Discussion:

- 1) A state agency is not subject to income tax at the Federal or state level (IRC Section 115, Opinion of the Attorney General, No. 3400, October 15, 1972). The Department of ABC and its satellite operations are therefore tax exempt entities. The thrift shop is managed by patients and staff members from the Place for Private Living. The staff members are paid by the Department of ABC and are classified according to the standard pay grades established by State Personnel. The fact that the thrift shop has a zero balance composite account indicates that all funds belong to the state. Therefore, the thrift shop would not be subject to the state's income tax.
- 2) The inventory of the thrift shop will not be subject to property taxation pursuant to S.C. Code of Laws Section 12-37-220(1) and 12-37-450.

Conclusion:

The thrift shop operated by the Place for Private Living would not be subject to income or property taxation.

SOUTH CAROLINA TAX COMMISSION

s/S. Hunter Howard, Jr.

S. Hunter Howard, Jr., Chairman

s/John M. Rucker

John M. Rucker, Commissioner

s/A. Crawford Clarkson, Jr.

A. Crawford Clarkson, Jr., Commissioner

Columbia, South Carolina
September 16, 1987