



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

SC PRIVATE LETTER RULING #89-4

TO: Mr. X

SUBJECT: Individual Retirement Account

REFERENCE: S.C. Code Section 12-7-410  
S.C. Code Section 12-7-430  
S.C. Code Section 12-7-435  
S.C. Code Section 12-7-455

AUTHORITY: S.C. Code Section 12-3-170  
SC Revenue Procedure #87-3

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:

Is a taxpayer's withdrawal from an IRA (Individual Retirement Account) fully taxable when amounts contributed while a nonresident were not deductible due to another State's laws?

Facts:

The taxpayer, while a resident of Pennsylvania, established an IRA. Pennsylvania does not allow an income tax deduction for IRA contributions and does not tax any of the distribution from an IRA. In 1987, as a resident of South Carolina, he withdrew the funds from his IRA. The withdrawal was fully taxable on his 1987 Federal return and South Carolina return.

Discussion:

South Carolina Code Section 12-7-410 provides:

The South Carolina gross income, adjusted gross income, and taxable income of an individual is the individual's gross income, adjusted gross income and taxable income as determined under the Internal Revenue Code with the modifications specified in Sections 12-7-430 and 12-7-435.

Sections 12-7-430 and 12-7-435, which provide modifications to federal income, do not provide any modifications as a result of contributions to or distributions from an IRA. Therefore, when an IRA distribution is included in a taxpayer's federal income, it is included in his South Carolina income. The provisions of 12-7-410, 12-7-430 and 12-7-435 were enacted as part of the Federal Conforming Act of 1985 and were effective for years beginning after December 31, 1984.

As part of the Federal Conforming Act, Section 12-7-455 was passed to provide transitional rules. Certain transactions occurring prior to January 1, 1985 that were treated differently for South Carolina and Federal purposes are addressed and the differences reconciled by allowing deductions, adjusting gains and so forth. There are no provisions addressing differences in South Carolina laws and the laws of other states. Thus the only differences to be reconciled are differences between South Carolina treatment and Federal treatment prior to 1985. Additionally, Section 12-7-455 does not specifically address differences in IRA contributions.

Conclusion:

A taxpayer's withdrawals from an IRA are fully taxable even though amounts contributed while a nonresident were not deductible due to another State's laws.

SOUTH CAROLINA TAX COMMISSION

s/S. Hunter Howard Jr.  
S. Hunter Howard, Jr., Chairman

s/A. Crawford Clarkson Jr.  
A. Crawford Clarkson, Jr., Commissioner

s/T. R. McConnell  
T. R. McConnell, Commissioner

Columbia, South Carolina  
April 7, 1989