
State of South Carolina
Department of Revenue
301 Gervais Street, P. O. Box 125, Columbia, South Carolina 29214

SC PRIVATE LETTER RULING #97-1

TO: ABC, Inc.

SUBJECT: Golf Carts with Electric Battery Chargers
(Sales Tax)

REFERENCE: S. C. Code Ann. Section 12-36-910 (Supp. 1996)
S. C. Code Ann. Section 12-36-100 (Supp. 1996)
S. C. Code Ann. Section 12-36-120 (Supp. 1996)

AUTHORITY: S. C. Code Ann. Section 12-4-320 (Supp. 1996)
SC Revenue Procedure #94-1

SCOPE: A Private Letter Ruling is an official advisory opinion issued by the Department of Revenue to a specific person.

NOTE: Private Letter Ruling may only be relied upon by the person to whom it is issued and only for the transaction or transactions to which it relates. A Private Letter Ruling has no precedential value.

Question:

Is ABC, Inc. liable for sales tax on the sale of golf carts and electric battery chargers to golf courses and country clubs for rental?

Conclusion:

ABC, Inc., is making a wholesale sale. An ABC golf cart cannot operate without a particular volt ABC electric battery charger. The electric battery charger that is designed solely for charging a particular model ABC golf cart is included in the sales price of the golf cart. The electric battery charger cannot recharge other golf cart batteries and cannot recharge batteries used in other types of vehicles or machinery. The electric battery charger is not sold separately by ABC, Inc. Accordingly, ABC, Inc. is not liable for sales tax on sales of its golf carts sold with an electric battery charger to golf courses or country clubs for rental to patrons for a fee. The golf course or country club is liable for the sales tax upon rental of the golf carts for a fee.

ABC, Inc., is, however, liable for sales tax on sales of golf carts and electric battery chargers to golf courses or country clubs who provide the golf carts to their patrons at no charge.

Facts:

ABC, Inc., is a manufacturer and seller of electric golf carts. These carts are battery powered. The battery must be recharged after every use with an electric charger. The charger is not physically attached to the golf cart. The sales price of the golf cart includes the cost of the battery charger.

The charger is not sold separately to customers (it may rarely be sold as a replacement for an identical ABC charger which has been broken, lost, etc.) The charger is designed solely for charging the particular model of ABC golf cart purchased. The electric golf cart cannot operate without a battery charger. The electric battery charger cannot recharge other golf cart batteries and cannot recharge batteries used in other types of vehicles or machinery. Because of the cart design, most chargers are shelf mounted since they cannot be physically attached to the golf carts.

The majority of the golf carts are sold to golf courses and country clubs for rental to others for a fee. Golf facilities store the ABC golf carts in a central location each evening for recharging. This central facility is specially wired and ventilated to handle this function.

Discussion:

South Carolina imposes a 5% sales tax upon every person engaged in the business of selling tangible personal property. The tax is a transactional tax imposed when there is a retail sale or rental. It is imposed on the person selling or renting the tangible personal property, unless the transaction is otherwise exempt or excluded.

Based upon the facts presented, there are two transactions taking place. The first transaction is the sale of a golf cart (i.e., the cart and the electric battery charger) by ABC, Inc., to a golf course or country club. The second transaction is the golf course or country club's rental of the golf cart to patrons for a fee.

As explained above, the sales tax is imposed on the person selling or renting tangible personal property at retail, unless the transaction is otherwise exempt or excluded. A sale at retail does not include a wholesale sale. Code Section 12-36-120 provides for the meaning of the term wholesale sale as a sale of "tangible personal property to licensed retail merchants...for resale...." The term "sale" means any transfer of tangible personal property for a consideration - including a rental. (See Code Section 12-36-100.) Accordingly, a golf cart sold by ABC, Inc., to a golf course or country club for rental to a golf patron for a fee is a wholesale sale. The electric battery charger included in the wholesale sale is incidental to the purchase of the golf cart. The wholesale transaction is not subject to sales tax.

The subsequent rental of the golf cart to the golf patron for a fee is a separate transaction. In this transaction, the golf course or country club is considered a retailer. The rental of the golf cart is a "retail sale" subject to sales tax. The measure of the sales tax is 5% of the total rental fee.