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

SC REVENUE PROCEDURE #03-2

- SUBJECT:** Tax Relief for Military Personnel Serving in the Persian Gulf Area, Afghanistan and Direct Support Areas, and the Kosovo Area.
- EFFECTIVE DATE:** Applies to all periods open under the statute.
- SUPERSEDES:** SC Temporary Revenue Procedure #03-2 and all previous advisory opinions and any oral directives in conflict herewith.
- REFERENCES:** S. C. Code Ann. Section 12-4-320(6) (Supp.2000)
- AUTHORITY:** S. C. Code Ann. Section 12-4-320 (Supp. 2000)
S. C. Code Ann. Section 1-23-10(4) (Supp. 2000)
SC Revenue Procedure #03-1
- SCOPE:** The purpose of a Revenue Procedure is to provide procedural guidance to the public and Department personnel. It is a written statement issued to assist in the administration of laws and regulations by providing guidance that may be followed in order to comply with the law. **A Revenue Procedure is an advisory opinion; it does not have the force or effect of law and is not binding on the public.** It is, however, binding on agency personnel until superseded or modified by a change in statute, regulation, court decision, or advisory opinion.

By Executive Order No. 12744, the following Persian Gulf area locations (and airspace above) were designated as a combat zone beginning January 17, 1991:

- The Persian Gulf
- The Red Sea
- The Gulf of Oman
- The part of the Arabian Sea that is north of 10 degrees latitude and west of 68 degrees east longitude
- The Gulf of Aden, and
- The total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates.

South Carolina Code Section 12-4-320(6) allows the Department to establish special tax relief procedures and assistance programs for military personnel, and states that the Department may:

for damage caused by war, terrorist act, or natural disaster or service with the United States armed forces or national guard in or near a hazard duty zone, extend the date for filing returns, payments of taxes, collection of taxes, and conducting audits, and waive interest and penalties.

The purpose of this advisory opinion is to summarize the special relief provisions available to military personnel stationed in the Persian Gulf area and to provide a list of other areas designated a combat zone.

The special tax relief procedures and assistance programs are available to military personnel serving in Iraq as part of "Operation Iraqi Freedom," military personnel serving in direct support of military operations in the Persian Gulf area combat zone and who qualify for special military pay for duty subject to hostile fire or imminent danger, and their spouses.

Extension of Time to File and Pay Taxes

The Department has extended the time for filing and paying the individual income taxes of affected military personnel and their spouses until 180 days after they leave the Persian Gulf area combat zone. These tax relief provisions also apply during any period of hospitalization resulting from injuries or illness incurred while serving in these areas.

Documentation Required Upon Filing a Return

A taxpayer filing a return extended under the provisions of this document should attach to the back of the return a copy of his or her military orders establishing participation. Further, "Operation Iraqi Freedom" should be written across the top of the tax return.

Penalties and Interest

The Department will waive any penalties and interest due as a result of any extensions or suspension of collection activities granted under this document. Penalties and interest due as a result of the failure to pay estimated taxes will be waived for any estimated taxes due while the individual taxpayer is participating in Operation Iraqi Freedom in the Persian Gulf area combat zone.

Penalties and interest will be assessed, however, if the income tax returns are not filed or taxes paid by the extended due date authorized by the Department. The Department will review all other tax liabilities with respect to penalties and interest on a case by case basis.

If a taxpayer is inadvertently assessed failure to file or pay penalties or interest which are waived pursuant to this document, the taxpayer should submit a request for waiver in writing. The request and any documentation should be sent to:

Problems Resolution Office
P.O. Box 11189
Columbia, South Carolina 29211-1189
Attn: Operation Iraqi Freedom

Collection Activities

The Department will suspend the enforced collection of any assessed liability of a taxpayer participating in Operation Iraqi Freedom in the Persian Gulf area combat zone during the time period the taxpayer is serving in these areas if the assessed liability is (1) the sole obligation of the taxpayer or (2) the joint obligation of the taxpayer and his or her spouse. The Department will review all other tax liabilities with respect to the possible suspension of enforced collections on a case by case basis.

The Department will reinstate collection activities of any assessed liabilities suspended pursuant to this document within a reasonable time after the taxpayer returns from service in the Persian Gulf area combat zone, but no sooner than 180 days beyond the period of service in these areas as part of Operation Iraqi Freedom.

Combat Pay

South Carolina has adopted Internal Revenue Code Section 112 which excludes certain combat pay from the definition of “gross income.” To the extent that combat pay is exempt from federal income tax, the combat pay will also be exempt from South Carolina income tax.

Taxpayer Assistance

Other State Taxes: Other South Carolina tax matters concerning military persons and their families affected by Operation Iraqi Freedom will be reviewed by the Department on a case by case basis.

Additional assistance may be obtained at the Department’s Taxpayer Service Centers listed below.

Charleston	3 Southpark Circle, Suite 202	(803) 852-3600
Columbia	301 Gervais Street	(803) 898-5000
Florence	1452 West Evans Street	(843) 661-4850
Greenville	211 Century Drive	(864) 241-1200
Rock Hill	454 S. Anderson Rd., Suite 202	(803) 324-7641

County Property Taxes: Questions concerning county property taxes should be addressed to the individual counties.

Federal Income Tax: A copy of Internal Revenue Service Publication 3, “Armed Forces’ Tax Guide,” can be found on the IRS website at <http://www.irs.gov/pub/irs-pdf/p3.pdf>.

In addition, the Internal Revenue Service has established a toll-free number, 1-866-562-5227, that military personnel and their spouses who are affected by the combat zone rules may call to discuss any federal income tax matter.

Reminder of Other Combat Zone Designations:

1. Afghanistan Area – By Executive Order No. 13239, Afghanistan (and airspace above) was designated as a combat zone beginning September 19, 2001. In addition, the Department of Defense has certified the following locations for combat zone tax benefits due to their direct support of the military operations in the Afghanistan combat zone: Pakistan, Tajikistan, and Jordan; the Incirlik Air Base in Turkey; Kyrgyzstan and Uzbekistan; Yemen; and Djibouti. **See SC Revenue Procedural Bulletin #02-1 for tax relief procedures and assistance programs available for military personnel serving in Afghanistan.**
2. Kosovo Area – By Executive Order No. 13119 and Public Law 106-21, the Federal Republic of Yugoslavia (Serbia/Montenegro), Albania, the Adriatic Sea, and the Ionian Sea – north of the 39th parallel (including all of the airspace in connection with the Kosovo operation), including airspace above, were designated as a combat zone and a qualified hazardous duty area beginning March 24, 1999. **See SC Revenue Procedure #99-2 for tax relief procedures and assistance programs available for military personnel serving in the Kosovo area.**

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/Burnet R. Maybank III, Director
Burnet R. Maybank III, Director

May 19, 2003
Columbia, South Carolina