
State of South Carolina
Department of Revenue
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SC REVENUE RULING #06-4

SUBJECT: Credit for Taxes Paid in Other States
(Use Tax)

EFFECTIVE DATE: Applies to all periods open under the statute.

SUPERSEDES: SC Revenue Advisory Bulletin #02-2 and all previous advisory opinions and any oral directives in conflict herewith.

REFERENCES: Article 13, Chapter 36 of Title 12 (2000; Supp 2005)

AUTHORITY: S. C. Code Ann. Section 12-4-320 (Supp. 2000)
S. C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #05-2

SCOPE: The purpose of a Revenue Ruling is to provide guidance to the public and to Department personnel. It is an advisory opinion issued to apply principles of tax law to a set of facts or general category of taxpayers. It is the Department's position until superseded or modified by a change in statute, regulation, court decision, or another Departmental advisory opinion.

South Carolina Code of Laws ("Code") Section 12-36-1310(C) provides for the credit and reads:

(C) When a taxpayer is liable for the use tax imposed by this section on tangible personal property purchased in another state, upon which a sales or use tax was due and paid in the other state, the amount of the sales or use tax due and paid in the other state is allowed as a credit against the use tax due this State, upon proof that the sales or use tax was due and paid in the other state. If the amount of the sales or use tax paid in the other state is less than the amount of use tax imposed by this article, the user shall pay the difference to the department.

Based on the above, South Carolina will allow a credit against the state and local use tax due in South Carolina for the state and local sales or use tax due and paid in another state on the purchase of tangible personal property. The statute does not require that the other state offer a similar credit.

Therefore, in order for the taxpayer liable for the use tax in South Carolina to take the credit authorized under Code Section 12-36-1310(C), the following requirements must be met:

- 1) The taxpayer must have purchased tangible personal property, as defined in Code Section 12-36-60, in one of the other 49 states or the District of Columbia¹.

Note: A credit is not allowed for any sales or use tax due and paid in another country or in a territorial possession of the United States.

- 2) A sales or use tax must have been legally due on the purchase transaction in the other state.
- 3) The sales or use tax that was legally due on the purchase transaction in the other state must have been paid in that state.
- 4) The taxpayer must have proof that the sales or use tax was due and paid in the other state.

Finally, if the state and local sales or use tax due and paid in the other state is less than the amount of state and local use tax due in South Carolina, the taxpayer liable for the use tax in South Carolina must pay the difference to the South Carolina Department of Revenue. If the state and local sales or use tax due and paid in the other state is greater than the state and local use tax due in South Carolina, the taxpayer is not entitled to a refund².

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/Ray N. Stevens
Ray N. Stevens, Director

May 19, 2006
Columbia, South Carolina

¹ Several states do not impose a state sales tax or use tax. In addition, it has been the longstanding policy of the Department to consider the District of Columbia a state for purposes of this credit. Therefore, any further reference to another state in this document is considered to include the District of Columbia.

² Each purchase transaction must stand on its own. In other words, if the state and local sales or use tax due and paid in another state on one purchase transaction is greater than the state and local use tax due in South Carolina, the “excess” tax paid in the other state on the purchase transaction cannot be used to offset any use tax that may be due in South Carolina on another out-of-state purchase transaction.