

1. OVERVIEW OF STATE TAXATION

The taxing scheme of a state is often an important factor when a company is deciding where to locate or expand its business. Often, a business is unaware of available tax incentives that may reduce or eliminate many of the taxes that would otherwise be due. This publication provides a general discussion of South Carolina's income, property, and sales and use taxes and incentives. Many of the tax incentives, credits, and exemptions are explained in detail on the following pages. Below is a brief overview of South Carolina taxation.

1. INCOME AND LICENSE TAXES

The starting point of South Carolina taxation for corporations, partnerships, limited liability companies, individuals, estates, and trusts is federal taxable income. South Carolina law provides for modifications to be made from federal taxable income in determining South Carolina taxable income. South Carolina's corporate income tax rate of 5% is among the lowest income tax rates in the Southeast. South Carolina's individual income tax rates for Tax Year 2025 range from 3% to 6.0%.¹

South Carolina's license fee, or franchise tax, is imposed on the privilege of doing business, as a corporation in South Carolina. The measure of the license fee is based on (1) the capital stock and paid-in or capital surplus of the corporation, or (2) South Carolina gross receipts and property. The license fee a taxpayer pays depends upon the taxpayer's type of business. Most corporations pay an annual license fee based on capital (.001 of the corporation's capital stock, and paid-in surplus, plus \$15). Certain specifically enumerated companies, such as waterworks companies, power companies, and telephone companies, pay the license fee based on South Carolina gross receipts and property. The minimum license fee is \$25.

County and city governments may impose a business license tax on businesses operating within the corporate limits of the county or city. Information about county or city business license taxes can be found in the "South Carolina Business License Standardization Act," S.C. Code Ann. §§ 6-1-400 through 6-1-420.

2. PROPERTY TAX

Most real and personal property located in South Carolina is subject to property taxes. Although property tax is generally collected locally, the Department oversees property tax assessments and collections to ensure equitable and uniform assessment throughout the State. There is no state or local tax on intangibles or inventories. The calculation of property taxes involves three elements:

¹ If revenue projections are met, this amount may be reduced to 6.0% for tax year 2026 and will stay at the level thereafter.

1. **Valuation:** Real property (other than agricultural use property and most property subject to a negotiated fee in lieu of taxes) is generally appraised to determine fair market value. Personal property of manufacturers is valued at cost from which a fixed statutory depreciation percentage, based on industry, is deducted each year until a residual value is reached. Personal property of merchants is valued at cost from which income tax depreciation is deducted each year until a residual value is reached. In certain instances, property may be valued as part of a greater unit under the unit valuation method. Personal property of individuals is either exempt from property taxes or the valuation method differs depending on the type of property.
2. **Assessment Ratio:** The assessment ratio, established in the State Constitution to ensure stability, is 10.5% for manufacturing property, whether real or personal, and 6% for commercial real property. Commercial personal property is assessed at 10.5%. The value of the property is multiplied by this ratio to produce the “assessed value” of a particular piece of property. Taxes are levied based upon this assessed value. New and expanding businesses, which invest \$2.5 million or more can enter into a fee in lieu of property taxes, which can reduce a 10.5% assessment ratio to 6% for up to 40 years for qualifying property and eliminate inflationary increases in the value of real property for that period. Very large investments can qualify for a 4% assessment ratio for up to 50 years for qualifying property with no increase in the value of real property for that period.
3. **Millage:** Each taxing jurisdiction determines on an annual basis the number of mills required to apply to the total assessed value of property subject to taxation within its jurisdiction in order to raise the money it needs to operate for the next year. (Each jurisdiction also takes other sources of revenue into account in making this determination.) In some instances, a statewide millage is used to calculate property taxes. The most recently available average millage rate for South Carolina is 353.5.

For example, if a manufacturer owned a piece of property used in its business with a value of \$100 and an assessment ratio of 10.5% (the ratio for manufacturing property in the absence of a fee in lieu of property taxes agreement), the assessed value of that property equals \$10.50 ($\$100 \times 10.5\%$). If the taxing jurisdiction decides in a particular year to levy a tax of 297 mills, then the property tax liability of the owner would be \$3.12 ($\$10.50 \times .297$) before the special exemption for manufacturing property mentioned in Chapter 4.

3. SALES AND USE TAX

South Carolina imposes a state sales and use tax of 6%. The state tax is also imposed on sales of accommodations at a rate of 7%. The proceeds are used to fund the public school system and to provide property tax relief. Additionally, local governments in South Carolina may levy other local taxes such as sales and use taxes, local accommodations taxes, or local hospitality taxes on sales of prepared meals. The sales tax applies to the retail sale, lease, or rental of tangible personal property. The use tax applies to the first storage, use, or consumption of tangible personal property in South Carolina purchased at retail in another state. A credit is given

against the use tax due in South Carolina for any state and local sales or use tax due and paid in another state.

4. MISCELLANEOUS TAXES

In addition to the primary three taxes relating to income, sales and property, South Carolina imposes additional taxes or in some cases, alternative taxes to the three mentioned above. For example, South Carolina imposes an admissions tax on places of amusement, a bank tax on banks engaging in business in this State, and a deed recording fee on the privilege of recording a deed when realty is transferred. These taxes may be imposed in addition to, or in lieu of, the income, sales and use or property tax. Taxpayers should check with their tax advisor to determine if they will be subject to any of these miscellaneous taxes.