# SALES and USE TAX in SOUTH CAROLINA

Sales tax is imposed on the sale, rental or lease of goods and certain services in South Carolina.

While the sales tax is imposed on retail sales in South Carolina, it is supplemented by the **use tax** which is imposed on all purchases of tangible personal property from out-of-state retailers for use, storage or consumption in South Carolina, and includes purchases made via the Internet, catalogs or while visiting another state.

Use tax is important to the state of South Carolina as it protects local businesses from an economic disadvantage with out of state retailers. The state's collections from the sales and use tax fund South Carolina's public school systems and provide property tax relief for residents.

#### Did you know?

- The use tax has been around since 1951 the same year the sales tax law was adopted in South Carolina.
- Either sales or use tax is imposed on a transaction, but not both.
- Every state that imposes a sales tax also imposes a use tax.

# South Carolina's sales and use tax rate is 6% plus any applicable local taxes.

#### Tax rates:

The use tax rate is the same as the state sales tax rate of 6% plus any applicable local taxes in the county where the purchased goods will be used, stored or consumed.

**Local option taxes** are imposed by the county to reduce the property tax burden on residents. Local option taxes are approved by the county through local elections and are imposed in addition to the 6% statewide rate.

The rental of **accommodations is subject** to a 7% statewide rate which is imposed upon the gross proceeds of rentals or charges for any type of sleeping accommodations.

#### How much use tax do I owe?

If the sales tax paid in another state is less than the amount of the use tax due in South Carolina, the taxpayer is liable for the difference. If the sales tax paid in another state is greater than the use tax due in South Carolina, the taxpayer is not entitled to a refund.

Purchases made by individuals 85 years old or older are exempt from 1% of South Carolina's state sales and use tax. Individuals may contact the Department of Revenue to request a card which explains this exemption.

## Are purchases from the Internet taxable?

Sales and purchases from an internet retailer are subject to the sales and use tax, unless otherwise exempt under the law.

## **Special impositions:**

Over the years, sales and use tax has encompassed various services and intangibles such as:

- Communication services
- Laundry and dry-cleaning services
- Electricity
- Manufactured property used by the manufacturer
- Prepaid wireless phone services

## Purchases subject to a cap:

A maximum sales and use tax cap of \$300 is imposed upon the purchases of:

- Motor vehicles
- Motorcycles
- Boats
- Recreational vehicles
- Aircraft
- Trailers/semitrailers capable of being pulled only by a truck tractor
- Self-propelled light construction equipment
- Horse trailers
- Musical instruments and office equipment purchased by 501(C)(3) organizations.

Items limited to the \$300 maximum sales and use tax cap are not subject to local option taxes.

## Reporting and remitting use tax

Individuals can remit use tax:

- Once a year on your South Carolina individual income tax return (form SC 1040)
- Throughout the year via a Form UT-3 (use tax return)
- Online at <u>www.sctax.org</u> using ePay, DOR's electronic payment system

Business entities in South Carolina can remit use tax:

- If the entity is a licensed retailer, monthly sales tax returns can be submitted via paper or online at <a href="http://www.sctax.org">www.sctax.org</a> using DOR eSales
- Throughout the year via a Form UT-3 (use tax return)
- If the entity has obtained a purchaser's certificate of registration, use tax can be submitted on the sales and use tax monthly return

More information is available on our website about South Carolina sales and use tax laws, as well as advisory opinions, regulations and policy documents.