



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
300A Outlet Pointe Blvd., Columbia, South Carolina 29210
P.O. Box 125, Columbia, South Carolina 29214-0575

SC INFORMATION LETTER # 22-18 (REVISED)

SUBJECT: One-Time Individual Income Tax Refund (Rebate) for Tax Year 2021
(Individual Income Tax)

DATE: October 10, 2022

REFERENCE: S.C. Act No. 228, Section 6 (Enacted June 17, 2022)
S.C. Code Ann. Section 12-4-320(6) (2014)

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
SC Revenue Procedure #90-3

SCOPE: An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

PURPOSE

In the “Comprehensive Tax Cut Act of 2022,” the General Assembly appropriated \$1 billion to a Taxpayer Rebate Fund to be used to provide a one-time rebate for each 2021 individual income tax return that reports a South Carolina individual income tax liability.

The rebate is equal to the amount of tax liability on the return, except that if a return has \$700 or more of tax liability, the rebate is \$700. However, if the Department determines that sufficient funds exist, the maximum \$700 rebate amount may be increased.

The purpose of this Information Letter is to provide taxpayers with information regarding the rebate, including eligibility for the rebate, issuance of the rebate, and related tax issues.

Note: This Information Letter was previously issued on October 5, 2022, and is revised to include additional rebate information for South Carolina residents and other individuals impacted by Hurricane Ian in late September 2022, who are eligible for tax relief until February 15, 2023.

LAW

The Act provides:

(A) From the Contingency Reserve Fund, there is appropriated one billion dollars to the Taxpayer Rebate Fund which is created in the State Treasury. The fund is separate and distinct from the general fund and all other funds of the State.

(B) The fund must be used by the Department of Revenue to provide a one-time rebate for individual income taxpayers that filed a return for tax year 2021. Each return filed for 2021 shall receive a rebate equal to the amount of tax liability on the return, except that if a return has seven hundred dollars or more of liability, the rebate shall equal seven hundred dollars. However, if the department determines that sufficient funds will exist to increase the maximum rebate of seven hundred dollars, the department shall increase the maximum so that all returns with a tax liability over the increased maximum receive the same rebate. The department must issue these refunds by December 31, 2022.

(C) The department may retain up to one percent of the fund, but not to exceed their actual costs, to administer the rebate.

(D) Any funds remaining in the fund after every rebate has been accounted for shall lapse to the Contingency Reserve Fund, at which time the fund is dissolved.

REBATE INFORMATION

Qualifying Taxpayers. South Carolina residents, part-year residents, and nonresidents¹ who meet the following requirements qualify for the rebate:

1. The taxpayer files a 2021 South Carolina individual income tax return on or before February 15, 2023² and
2. The 2021 individual income tax return reports a South Carolina income tax liability after refundable and nonrefundable credits are applied.

¹2021 SC 1040 “composite returns” are not eligible for the one-time rebate in 2022. Code Section 12-6-5030 provides that a partnership or S corporation may file a composite individual income tax return on behalf of nonresident partners or shareholders that are individuals, estates, or trusts.

²On October 5, 2022, the Internal Revenue Service issued IR-2022-173 providing South Carolina residents and others impacted by Hurricane Ian tax relief until February 15, 2023. See SC Information Letter #22-19 which postponed the October 17, 2022, South Carolina 2021 Form 1040 filing deadline until February 15, 2023 for South Carolina residents and others impacted by Hurricane Ian.

Rebate Issuance Date. As a result of Hurricane Ian in September 2022, the Department will issue the individual income tax rebate in two phases, depending on the date the South Carolina individual income tax return is filed.

Phase 1: For taxpayers filing a 2021 South Carolina 1040 on or before October 17, 2022, the rebate will be issued **by December 31, 2022**.

Phase 2: For taxpayers filing a 2021 South Carolina 1040 after October 17, 2022, and on or before February 15, 2023, the rebate will be issued **by March 31, 2023**.

Rebate Method – Direct Deposit or Paper Check. All rebates will be issued by either direct deposit or paper check. If a taxpayer received his 2021 tax refund by direct deposit, the one-time rebate will also be issued by direct deposit. The one-time rebate will be issued by paper check to all other eligible taxpayers (e.g., taxpayers who paid a balance due on their 2021 return or taxpayers that received their 2021 tax refund by debit card or paper check).

Married Taxpayers. The rebate is allowed on a “per return” basis. Accordingly, a married couple filing jointly for 2021 is eligible to receive one rebate. A married couple filing separate returns for 2021 is eligible to receive a rebate for each return, provided each return meets the eligibility requirements for the rebate.

Amount of Rebate – Based on Tax Liability and Funding. Resident individuals, part-year resident individuals, and nonresident individuals that filed a 2021 income tax return (i.e., SC 1040) are to receive a rebate amount based on their “tax liability” as follows:

Tax Liability on 2021 SC 1040 filed by an “individual”	Amount of Rebate/Refund
\$0 tax liability	No rebate
\$1 - \$699 tax liability	Rebate is the actual amount of taxpayer’s income tax liability
\$700 and up tax liability	\$700; however, this fixed rebate amount will increase to a higher amount if the Department determines that the \$1 billion appropriation in the Taxpayer Rebate Fund has not been used after allocation of the funds to individuals with a tax liability of \$700 or less and after allocation of the Department’s cost to administer the rebate. Rebates above \$700 will be the lesser of the taxpayer’s tax liability or the maximum rebate amount.

Definition of “Tax Liability.” The term “tax liability” means the amount a taxpayer owes after applying all tax credits (both nonrefundable and refundable, but before reduction for estimated payments and withholding). The amount of the rebate based on “tax liability” is the result of SC 1040 Line 10, less applicable Lines 14, 21, and 22, as illustrated below.³

³ Note: An individual who received a South Carolina income tax “refund” on his 2021 SC 1040 may be eligible for a rebate since the rebate is based on “tax liability,” i.e., the amount paid after all credits, but before reduction for payments such as withholding and estimated tax payments.

2021 SC 1040 – Calculation of Tax Liability for Rebate
(Tax Liability = Line 10, less Lines 14, 21, and 22)

6 TAX on your South Carolina Income Subject to Tax (see SC1040TT)	6		00
7 TAX on Lump Sum Distribution (attach SC4972)	7		00
8 TAX on Active Trade or Business Income (attach I-335)	8		00
9 TAX on excess withdrawals from Catastrophe Savings Accounts	9		00
10 Add line 6 through line 9 and enter the total here. This is your TOTAL SOUTH CAROLINA TAX	10		00
NON-REFUNDABLE CREDITS			
11 Child and Dependent Care (see instructions) ▶	11		00
12 Two Wage Earner Credit (see instructions) ▶	12		00
13 Other nonrefundable credits. Attach SC1040TC and other state returns ▶	13		00
14 Total nonrefundable credits (add line 11 through line 13)	14		00
15 Subtract line 14 from line 10 and enter the difference. If less than zero, enter zero here	15		00
PAYMENTS AND REFUNDABLE CREDITS			
16 SC income tax withheld (attach W-2 or SC41) ▶	16		00
17 2021 Estimated Tax payments ▶	17		00
18 Amount paid with extension ▶	18		00
19 Nonresident sale of real estate ▶	19		00
20 Other SC withholding (attach 1099) ▶	20		00
21 Tuition tax credit (attach I-319) ▶	21		00
22 Other refundable credits:			
22a Anhydrous Ammonia (attach I-333) ▶	22a		00
22b Milk Credit (attach I-334) ▶	22b		00
22c Classroom Teacher Expenses (attach I-360) ▶	22c		00
22d Parental Refundable Credit (attach I-361) ▶	22d		00
22e Motor Fuel Income Tax Credit (attach I-385) ▶	22e		00
Total refundable credits (add line 22a through line 22e) ▶	22		00

SPECIAL FILING SITUATIONS

Original Return Filed After February 15, 2023. Taxpayers filing an original 2021 return after February 15, 2023 are **not** eligible for the rebate, even if the return reports a tax liability after credits.

Amended Return Filed On or Before Extended Due Dates (October 17, 2022 or February 15, 2023, if applicable).

Taxpayers filing an amended 2021 return on or before October 17, 2022 are eligible for the rebate to be paid by December 31, 2022, provided the amended return reports a South Carolina income tax liability after credits. To determine whether the tax liability requirement has been met, the Department will use the latest 2021 amended return filed by the taxpayer on or before October 17, 2022.

Taxpayers who have not been issued a rebate by December 31, 2022, who file an amended 2021 return by February 15, 2023 are eligible for the rebate based on the amended return.

Note: Whether filing an original or amended tax return, individual taxpayers filing form SC 1040 must generally use the same filing status as used for federal income tax purposes. See Code Section 12-6-5000. Further, once a joint return has been filed for a tax year, the spouses may not generally elect to file separate returns for that year after the due date of the return.

Amended Return Filed After Rebate is Issued. No rebate will be allowed and no rebate amount issued will be adjusted for an amended return filed after an individual has qualified for a rebate, even if the amended return reports a liability (or higher liability) after credits.

Rebate Offset for an Individual’s Outstanding Tax Debts. An individual taxpayer with outstanding tax debts with the Department is eligible for the one-time 2022 rebate. However, the Department will first apply the rebate amount to pay the 2021 or prior year outstanding tax liabilities of the individual. The remaining rebate amount, if any, will be sent to the individual.

Note: The application of the rebate to an individual’s outstanding debts as of October 17, 2022, or as of February 15, 2023, as applicable, only applies to South Carolina tax debts of the individual; it does not apply to other debts the Department offsets against refunds, such as a hospital debt.

RELATED TAX ISSUES

Form 1099-G/INT. Taxpayers who receive a rebate will receive a Form 1099-G/INT, “Certain Government Payments,” from the Department in the year the rebate is issued (i.e., 2022 or 2023, as applicable). The rebate will be included in the total amount of state income tax refunds, credits, and offsets reported. The statement should be retained with the taxpayer’s tax records.

South Carolina Income Tax Consequences. For South Carolina income tax purposes, state tax refunds are not subject to South Carolina income tax.⁴ Accordingly, the rebate will not be included in the taxpayer’s South Carolina taxable income in the tax year the rebate is received (i.e., 2022 or 2023, as applicable).

OTHER IMPORTANT REBATE INFORMATION

Change in Mailing Address or Bank Account Information. Individuals who will be receiving the rebate by paper check whose mailing address has changed since filing their 2021 SC 1040, may notify the Department by November 1, 2022 to provide an updated mailing address for the rebate check to be sent.

Individuals who received their SC 1040 tax refund by direct deposit whose bank account information (e.g., bank routing number, account number) has changed since filing their 2021 SC 1040, should notify the Department by November 1, 2022 that a banking change has been made. Since the Department cannot update bank account information for the one-time rebate, the individual taxpayer may notify the Department of his preference to receive the rebate by paper check.

⁴ Code Section 12-6-1120(2). South Carolina gross income does not include any state income tax refund included in federal gross income.

Reporting Changes to the Department on Form SC 5000. Taxpayers filing a 2021 South Carolina 1040 on or before October 17, 2022 may submit a change in mailing address or notification of change in bank account information to the Department by completing Form SC 5000, “Update Information for Individual Income Tax Rebate.” Form SC 5000 may be emailed to: SCRebate@dor.sc.gov.