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SC INFORMATION LETTER #88-17

TO: Vicki Jinnette
Public Information Officer

FROM: Jerry B. Knight, Manager
Tax Policy and Procedures Department

DATE: August 23, 1988

SUBJECT: Sales of Motor Vehicles to Nonresidents

REFERENCE: S.C. Code Ann. Section 12-35-555 (As Amended June 8, 1988)

AUTHORITY: S.C. Code Ann. Section 12-3-140 (1976)
SC Revenue Procedure #87-3

SCOPE: An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts.

Code Section 12-35-555 (effective for sales after December 31, 1987) reads:

The sale in this State of new or used motor vehicles as defined in Section 56-1-10, or new or used trailers, semi-trailers or pole trailers of a type to be registered and licensed, to a resident of another state is taxable for purposes of this article in an amount equal to the sales tax which would be imposed on the sale in the purchaser's state of residence. The tax on the sale may not exceed the tax that would otherwise be imposed under this article. At the time of the sale the purchaser shall execute a notarized statement of his intent to license the vehicle or trailer in his state of residence within ten days from the date of purchase, and:

- (a) pay the sales tax due as modified by this section to the dealer making the sale;
- (b) furnish the seller with a signed copy of the notarized statement which the seller retains in his records;

- (c) submit the notarized statement to the appropriate sales tax collection agency in his state of residence. Where a nonresident will not receive credit in his state of residence for any sales taxes paid to the State of South Carolina under this section and where his state of residence does not grant reciprocity to South Carolina residents pursuant to Section 12-35-815, no sales tax on the sale may be charged. The Commission by regulation shall establish what documentation of the above is necessary in order to receive the exemption granted by this paragraph.

Attached is a chart designed to assist motor vehicle dealers in calculating the tax due on sales to nonresidents (Code Section 12-35-555) and to explain how such sales should be accounted for on the monthly report. In addition to the chart, a work sheet has been prepared to assist the dealers in calculating the tax due on such sales and the appropriate deduction to be taken on the return.

It is important to remember the following points when making sales to nonresidents:

1. In no case will the tax be greater than \$300.00
2. If, in using the sales tax rate of the nonresident's state, you compute a sales tax amount less than the \$300.00 maximum, collect only that amount. Be sure that proper allowable deductions are entered on the reverse side of your sales tax return. (See example #1: Reporting Procedures)
3. On sales in excess of \$6,000.00, on which you charge the maximum \$300.00 sales tax, you must reflect the proper allowable deductions on your sales tax return. (See example #2: Reporting Procedures)
4. Dealers should continue to use Form ST-385, which must be completed in its entirety and all copies properly distributed.

Another Information Letter on the sales of trailers, semi-trailers and pole trailers will be issued in the near future.

NOTE: THE ATTACHED CHART AND WORKSHEET REPLACE THOSE DISTRIBUTED NOVEMBER 18, 1987. THIS CHART WAS REVISED DUE TO CHANGES IN CODE SECTION 12-35-555.

SALES OF MOTOR VEHICLES TO NONRESIDENTS
(Code Section 12-35-555)

Sales of motor vehicles, as defined in Code Section 56-1-10, to residents of the following states are not subject to the South Carolina Sales Tax.

Alaska	Maryland	New Mexico
Delaware	Minnesota	Oklahoma
District of Columbia	Mississippi	Oregon
Indiana	Montana	South Dakota
Iowa	Nevada	Vermont
Kentucky	New Hampshire	West Virginia

Sales of motor vehicles, as defined in Code Section 56-1-10, to residents of the following states are subject to the South Carolina Sales Tax. The maximum tax on the sale of a motor vehicle is \$300.00.

<u>State</u>	<u>Rate(%)</u>	<u>Measure of Tax</u> *	<u>State</u>	<u>Rate(%)</u>	<u>Measure of Tax</u>
Alabama	2.0 (1)	S-T	Missouri	4.225	S-T
Arizona	5.0	S-T	Nebraska	4.0	S-T
Arkansas	4.0	S	New Jersey	6.0	S-T
California	4.75	S	New York	4.0	S-T
Colorado	3.0	S	North Carolina	2.0	S-T
Connecticut	7.5	S-T	North Dakota	5.5	S-T
Florida	6.0	S-T	Ohio	5.0	S-T
Georgia	3.0	S-T	Pennsylvania	6.0	S-T
Hawaii	4.0	S-T	Rhode Island	6.0	S-T
Idaho	5.0	S-T	Tennessee	5.5	S-T
Illinois	5.0	S-T	Texas	6.0	S-T
Kansas	4.0	S-T	Utah	5.09	S-T
Louisiana	4.0	S-T	Virginia	3.0	S
Maine	5.0	S-T	Washington	6.5	S-T
Massachusetts	5.0	S-T	Wisconsin	5.0	S-T
Michigan	4.0	S	Wyoming	3.0	S-T

S = Sales Price T = Trade-in Allowance

Example:

A resident of Alabama purchases a motor vehicle from a South Carolina dealer and will license such vehicle in Alabama. The dealer and the purchaser negotiate a sales price of \$9,000 for a vehicle with a sticker price of \$10,000. A trade-in allowance of \$3,500 is also allowed the purchaser.

$$\begin{array}{r r r r r} S & - & T & - & = & \text{Measure} \\ \$9,000 & - & \$3,500 & - & = & \$5,500 \end{array}$$

\$5,500 x 2.0% (Ala. Rate) = \$110.00 Sales Tax Due

(1) Alabama's Rate prior to October 1, 1988 was 1.5%.

SEE THE REVERSE SIDE OF THIS CHART FOR REPORTING PROCEDURES.
REPORTING PROCEDURES

Example #1

North Carolina resident

Sales price	\$10,500.00
Trade-in	\$ 2,500.00
Taxable amount	\$ 8,000.00

North Carolina Tax Rate	2%
SC Sales Tax Due (2% x \$8,000)	\$160.00

Entries on Sales Tax Return (ST-3):

Line 1, Col. A (Gross Proceeds)	\$10,500.00
Line 3 (Use Tax)	-
Line 4 (Total)	\$10,500.00
Line 5 (Deductions)	<\$ 7,300.00> (See entries below)
Line 6 (Net Taxable Total)	\$ 3,200.00
Line 7 (Sales Tax Due)	\$ 160.00

Entry on reverse of ST-3: (deduction): \$ 7,300.00

How to compute deduction amount:

Trade-in	\$2,500.00
Excess Sale Amt.:	(\$8,000.00 - \$3,200.00*) \$4,800.00
*($\$160.00 - .05 = \$3,200.00$)	
Total Deduction:	\$7,300.00

Example #2

Georgia resident

Sales price	\$11,000.00
Trade-in	N/A
Taxable amount	\$11,000.00

Georgia tax rate	3%
Sales tax due	\$300.00 (maximum tax applies)

Entries on Sales Tax Return (ST-3):

Line 1, Col. A (Gross Proceeds)	\$11,000.00
Line 3 (Use Tax)	-
Line 4 (Total)	\$11,000.00
Line 5 (Deductions)	\$ 5,000.00 (see entries below)
Line 6 (Net Taxable Total)	\$ 6,000.00
Line 7 (Sales Tax Due)	\$ 300.00

Entry on reverse of ST-3 (deduction): \$ 5,000.00

How to compute deduction amount:

Trade-in:	N/A
Sales price over	\$6,000.00 (\$11,000.00 - 6,000.00): <u>\$5,000.00</u>
Deduction:	\$5,000.00

WORKSHEET: SALE OF MOTOR VEHICLE TO NONRESIDENT
(Code Section 12-35-555)

Purchaser's Name

Purchaser's State of Residence

Purchaser's State Sales Tax Rate _____% (Per Chart)

Trade-in Allowed _____ YES _____ No (Per Chart)

Computation of Tax Due:

Sales Price \$

Trade-in (if any) <_____>

Measure of Tax _____(A)

Multiply by State Tax Rate (shown above) x

S.C. Sales Tax Due (Not to Exceed \$300.00)

Computation of Allowable Deduction (Nonresident Sale)

S.C. Sales Tax Due (see above)

Divided by .05

Basis for Tax at S.C. Rate _____(B)

Measure of Tax (A)

Basis for Tax at S.C. Rate (B) <_____>

Allowable Deduction on Return * _____ if (A) is greater than (B): Addition
(Nonresident Sales)

or <_____> if (B) is greater than (A): Subtraction

* This amount does not include the deduction for any applicable trade-in.