

A General Guide To

South Carolina Sales and Use Tax

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Sales tax is imposed on the sale, rental or lease of goods and certain services in South Carolina. Use tax is imposed on goods and certain services purchased out of state and brought into South Carolina on which no sales tax or not enough sales tax has been paid. The state sales and use tax rate is 5%. Certain counties impose an additional 1% local sales and use tax. (Throughout this handout, to keep it simple, the word *sale* also implies *rentals* and *leases*.)

The Retail License

If you start a retail business in South Carolina, you will need a retail license before making any sales. The retail license must be obtained by all retailers, including those making infrequent sales in this state. If you have more than one business outlet, you must have a separate retail license for each location.

If you have no permanent retail location, you can obtain a transient retail license which will allow you to make sales throughout the state, but in only one location at a time.

Apply for the retail license on Form SCTC-111, *Business Tax Application*, available at all Department of Revenue tax offices. The fee for the permanent retail license or the transient retail license is \$50. If an outstanding debt exists for state taxes, the retail license will not be issued until the taxes are paid.

Purchaser's Certificate of Registration - A purchaser's certificate of registration is required for someone who does not make retail sales but who purchases tangible personal property from outside this state to store, use or consume in South Carolina. Those licensed as retailers do not need a purchaser's certificate of registration. Apply for the certificate on Form SCTC-111.

Temporary license - A temporary retail license is available for \$50 to transient retailers making sales in this state for no more than 30 consecutive days.

Artists and craftsmen - Artists and craftsmen selling at arts and crafts shows and festivals products they have created or assembled may obtain a permanent retail license for \$20 by applying on Form 110.

Nonresident Retailers - Nonresident retailers with a physical presence in South Carolina must obtain a retail license to do business in this state. A nonresident retailer is one who does not have a business location in this state, but solicits business from South Carolina residents by means of sales representatives, manufacturers' agents, catalogs, advertising or other means.

Flea market and yard sales - Persons who make sales at a flea market or at a yard sale no more than once per calendar quarter are not required to obtain a retail license.

Charitable organizations - Most non-profit, charitable organizations are exempt from the sales and use tax on sales they make for charitable purposes and are not required to obtain a retail license. Application for exemption must be made on Form ST-387. Purchases made by the organization for its own use are taxable.

Special Events Sales - Retailers making sales at festivals or special events - which include promotional shows, trade shows, fairs or carnivals for which an admission fee is required and last less than 12 consecutive days - are not required to obtain a retail license. Instead, retailers are required to file a special event tax return within five days for sales made at the event.

Purchasing a Business

If you buy a business, all taxes that may be owed by the previous owner transfer to you. The taxes owed are a lien against the business inventory and equipment. You cannot obtain a retail license until the tax is paid.

Moving Your Business

If you move to a new location within the same county, you maintain your same retail license number but you should request an updated license to show your new address. If you move to a new location outside the county, you will be assigned a new retail license number. The \$50 license fee is not charged when the business location changes.

Closing Your Business

If you close your business, you should file a final tax return with the Department of Revenue and return your retail license. This will prevent you from getting unnecessary notices and bills for unpaid taxes.

More About Sales Tax

In addition to sales at retail, the sales tax also applies to the fair market value of items purchased by the retailer at wholesale, but used by the retailer for personal use. In addition to applying to items one normally thinks of as taxable - furniture, appliances, clothing, etc. - the sales and use tax also applies to communications like paging services, laundry and dry cleaning services, and electricity. A 10% sales tax applies to telephone services to 900 and 976 exchanges. An additional 5% sales tax surcharge applies to rental cars.

More About Use Tax

Use tax commonly applies to purchases from, but not limited to, mail-order catalogs, television shopping and telephone shopping. Businesses which regularly make non-taxed purchases out of state report and pay the use tax on their monthly sales and use tax return, Form ST-3. Individuals not in business who make non-taxed purchases out of state should report the use tax on Form UT-3W, SC Use Tax Worksheet. This form is included in the South Carolina individual income tax forms package mailed to taxpayers each year.

Many catalog and mail-order companies already collect South Carolina's sales or use tax when you make a purchase. If the business does not collect the tax at the time of purchase, you are responsible for reporting the purchase and paying the tax yourself. If you make a purchase in another state and pay less than the tax which would be due in South Carolina, you should report and pay the difference on Form UT-3. A credit is allowed for sales tax due and paid in another state.

Local Sales and Use Taxes

Through the approval of a county referendum, voters are allowed to approve a variety of local taxes in their counties. Voters may approve 1% local option sales and use tax and/or a 1% local tax for capital projects, transportation or school districts. Elections for local option tax may be held during the month of November. If approved, the tax becomes effective May 1 following the election. Counties which impose the 1% local option sales and use tax are:

Abbeville	Colleton	Laurens
Allendale	Darlington	Lee
Bamberg	Dillon	Marion
Barnwell	Edgefield	Marlboro
Berkeley	Florence	McCormick
Charleston	Hampton	Pickens
Chester	Jasper	Saluda
Chesterfield	Kershaw	Sumter
Clarendon	Lancaster	Williamsburg

Other local taxes such as capital project, transportation or school district may be approved for a limited time or until a certain amount of revenue is collected.

Cherokee and Chesterfield county collects the 1% local tax to benefit public schools. Food items, which may be purchased with food stamps, are exempt from this 1% local tax. However, food items are not exempt from the other local taxes unless otherwise exempted by the Statute.

Jasper, Newberry, Orangeburg and York counties collect the 1% local tax for capital projects, such as constructing buildings, roads, bridges, water and/or sewer projects. The capital project tax went into effect in Aiken and Allendale counties on May 1, 2001.

The transportation tax provides funding for the construction of roads and bridges. Currently, this tax is not imposed in any counties.

Elections for the capital project tax and transportation tax may be held during a general election in November. If approved, the tax becomes effective May 1 following the election. Elections for the school district local tax may be held at any time and becomes effective on the first day of the third full month after approval.

Only one local tax may be imposed at the time, but a county may impose additional local sales tax for a specific purpose. If approved, a county may have a local option tax and any one of the following local taxes at the same time: capital project, school district, or transportation tax. Items limited to the \$300 maximum sales and use tax are exempt from the 1% local taxes.

Businesses which make sales or deliveries in the State of South Carolina will use the new Form ST-3 (State Sales and Use Tax Return) or Form ST-388 (State Sales, Use and Accommodations Tax Returns) along with the new Form ST-389 (Schedule for Local Taxes) if required to be filed. The Form ST-389 is required to be filed if a business:

- Is located in a local tax county that imposes a local tax, or
- Remits another county's or municipality's local tax

The new Form ST-389 is used to report the location where sales or deliveries are made in a local tax county. If a business is located in a county without a local tax and collects no local tax, the Form ST-389 is not required to be filed.

Counties and municipalities may impose local hospitality taxes on food, beverages, accommodations and admissions. These taxes are collected by the local government, not the Department of Revenue. Contact the county where your business is located to determine if you are liable for any of these local hospitality taxes.

Accommodations Tax

The rental of transient accommodations is subject to a 2% accommodations tax in addition to the 5% sales tax (and the 1% local tax, if applicable). If you rent out rooms or spaces at hotels, campsites, boarding houses, etc., you are required to obtain a retail license and pay the sales and accommodations tax.

Room rentals to the same person for at least 90 continuous days are not subject to the tax. If you rent a room in the house in which you live and it has less than six bedrooms, you are exempt from the tax. If you rent transient accommodations for no more than

one week each calendar quarter, you are not required to obtain a retail license, but you still must report and pay the tax annually. Additional guest charges such as movie rentals, room service, valet services, etc. are subject to the 5% sales tax. Use Form ST-388 to report your sales, use and accommodations taxes.

Casual Excise Tax

South Carolina imposes a casual excise tax of 5% on the fair market value of all motor vehicles, motorcycles, boats, motors and airplanes transferred between individuals. The maximum tax is \$300. Transfers between members of the immediate family are exempt. Licenses for motor vehicles or boats will not be issued without proof of payment of the tax.

Maximum Tax

A maximum sales tax of \$300 is imposed on the sale or lease of motor vehicles, boats, aircraft, motorcycles, certain trailers, recreational vehicles and light construction equipment. The \$300 cap also applies to the sale of musical instruments and office equipment to religious organizations. Sellers must submit Form ST-382 for these items sold to religious organizations.

Sales to Out-of-State Residents

Sales of new or used motor vehicles and certain trailers are taxed at the rate imposed by the purchaser's state of residence or 5%, whichever is less. The tax cannot exceed South Carolina's \$300 maximum tax. When a nonresident will not receive credit for sales tax paid to South Carolina for a motor vehicle or trailer, no sales tax will be charged. Form ST-385 must be completed on each vehicle sold to a nonresident.

Manufactured Homes

The first 35% of the selling price of a manufactured home is exempt from sales and use tax. After allowing for the exemption and any trade-in, the tax imposed on the sale is \$300 plus 2% of the remaining sales price exceeding \$6,000. The 2% may be waived if certain energy efficiency levels are met in the mobile home. Furniture and appliances that are not permanently attached and are sold with a mobile home must be listed separately on the bill or invoice and taxed at 5% of the sales price, less any trade-in allowance.

Exemptions and Exclusions

Generally, all retail sales are subject to the sales and use tax. However, there are a number of sales exempt from the tax, most notably, certain items used in farming and manufacturing, medicines sold by prescription and sales to the federal government.

Items excluded from the sales and use tax primarily include sales of goods for resale. Other excluded items include certain property used in the manufacturing process, materials used to ship manufactured goods for sale and items brought into the state which are for use outside the state. In addition, sales to individuals 85 or older are excluded from 1% of the tax.

Reporting and Paying the Tax

After you receive your retail license or purchaser's certificate of registration, you will receive pre-printed forms for reporting and paying the sales and use tax. Taxes must be reported and paid monthly to the South Carolina Department of Revenue.

Returns and payments are due no later than the 20th of the month following the month in which the sales were made. The tax is remitted for the month the sale was made regardless of whether the tax was collected from the customer in that month.

The law allows for filing on other than a monthly basis with department approval. The return and payment must be made by the 20th of the month following the end of the reporting period. For example, sales made during the quarter January 1-March 31 must be reported and paid by April 20.

A tax return must be filed even if no sales were made during the reporting period.

Discount for Timely Payment

If returns are filed and the taxes paid in full by the due date, you will be allowed a discount on taxes due. For taxes due of less than \$100, you may take a 3% discount of the tax due. For taxes of \$100 or more, your discount is 2% of the tax due. The maximum discount allowed during any fiscal year is \$3,000 per taxpayer, not per location. Nonresident retailers not required by law to collect South Carolina sales tax, but voluntarily register to do so, are allowed a maximum discount of \$10,000 each fiscal year. In calculating the maximum discount, begin with the June return filed in July and end with the May return filed in June.

Penalties and Interest

If you do not pay taxes when they are due or do not file tax returns, you may be liable for penalties and interest, in addition to the tax which may be due. If you fail to comply with any of the tax rules administered by the Department of Revenue, your retail license may be revoked and you must close your business until all tax liabilities have been paid.

Where To Get Help

Delinquent Returns	(803) 898-5800
Forms	1-800-768-3676
Columbia area	(803) 898-5320
Publications	(803) 898-5419
Refunds, Credit Memos	(803) 898-5788
Retail License	(803) 898-5872
Sales/Use Tax Registration	(803) 898-5872
Sales Tax Exemption Certificates. . .	(803) 898-5872
Sales Tax General Information. . . .	(803) 898-5788

Taxpayer Service Centers

Charleston	(843) 852-3600
Columbia	(803) 898-5788
Florence	(843) 661-4850
Greenville.....	(864) 241-1200
Rock Hill	(803) 324-7641

Tax returns and other correspondence should be mailed to: **SC Department of Revenue, P.O. Box 125, Columbia SC 29214.**

More Information

For more information on sales and use tax, visit the Department of Revenue's home page on the Internet at <http://www.sctax.org> Sales tax laws, regulations, policy documents and attorney general opinions may be found there. Call (803) 898-5419 to be placed on the mailing list for our free quarterly newsletter *Revenews*..

This publication is intended to provide basic information about sales and use tax. It is not a substitution for the law. Further, tax laws change rapidly. We would advise you to seek legal advice if there are questions about your tax obligations.