


SOUTH CAROLINA
DOR
DEPARTMENT OF REVENUE

SALES & USE TAX
SEMINAR

SOUTH CAROLINA ASSOCIATION OF
GOVERNMENTAL PURCHASING OFFICIALS
SEPTEMBER 10, 2015

SALES TAX: THE BASICS



SOUTH CAROLINA
DOR
DEPARTMENT OF REVENUE

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THE BASICS OF SALES TAX

- South Carolina imposes a sales tax equal to 6%, plus applicable local taxes, on the gross proceeds of sale of tangible personal property by a retailer
- Sales tax first adopted in 1951
- It is a transaction tax
- It is a “vendor tax”
- Retailer has obligation to report & pay the tax

SOUTH CAROLINA
DOR
DEPARTMENT OF REVENUE

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THE BASICS OF SALES TAX

- §12-36-910(A) reads, in pertinent part:

A sales tax, equal to [six] percent of the gross proceeds of sales, is imposed upon every person engaged or continuing within this State in the business of selling tangible personal property at retail.



THE BASICS OF SALES TAX

- Definitions

- Person
 - individuals, corporations, municipalities, counties, authorities, state agencies, etc.
- Tangible Personal Property (TPP)
 - personal property that may be seen, weighed, measured, felt, touched or in any manner is perceptible to the senses



THE BASICS OF SALES TAX

- Tangible personal property includes certain specific services and intangibles
 - Laundering and dry cleaning
 - Electricity
 - Communications services
 - Software, in certain circumstances
 - Accommodations and some additional guest charges



THE BASICS OF SALES TAX

- Definitions
 - Sale or purchase
 - transfer of title or possession, includes rentals, leases and licenses to use
 - Sale at retail
 - sale of tangible personal property to end-user or consumer of tangible personal property, including rentals, leases and licenses to use
 - Wholesale sale
 - simply put, not a sale at retail. In this context sale to person who will offer it for resale to customers



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THE BASICS OF SALES TAX

- Definitions
 - Gross proceeds of sale - is the total amount proceeding or accruing from the retail sales of a business and is the measure or basis for the sales tax.
 - §12-36-110



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THE BASICS OF SALES TAX

- Gross proceeds of sales may include, for example:
 - Bartering
 - Leases & rentals of tangible personal property
 - Withdrawal, use or consumption of tangible personal property by a person who bought the tangible personal property wholesale
 - Revenue Ruling #08-11
 - Consignment sales
 - Any services or transportation costs that are part of the sale, e.g. delivery, shipping, handling
 - Fuel surcharges



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THE BASICS OF SALES TAX

- Gross proceeds of sales may include, for example:
 - Lease cancellation fees
 - Charges by an auto rental co., such as:
 - Fueling charges
 - Collision damage waiver
 - Personal accident coverage
 - Extended protection
 - Personal effects coverage



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THE BASICS OF SALES TAX

- Gross proceeds of sales may include, for example:
 - Engraving charges
 - Charges billed by photographers
 - Rebates paid by third parties
 - Warranty contracts, *in certain circumstances*
 - Fabrication labor



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THE BASICS OF SALES TAX

- Gross proceeds of sales may include, for example:
 - Installation labor, *in certain circumstances*
 - Mandatory gratuities
 - *e.g.* 20% tip for all parties > 6
 - Charges billed by a retailer for consultation, engineering and design as part of the retail sale of a sign or the retail sale of a wireless communications system that enhances radio signal strength within the customer's building
 - South Carolina Regulation 117-309.9 and Private Letter Rulings #07-3 and #07-4



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THE BASICS OF SALES TAX

- Gross proceeds of sales does NOT include, for example:
 - Cash discounts allowed and taken
 - Trade-in allowances
 - Installation labor, *in certain circumstances*
 - “Voluntary” gratuities, *e.g.* customer tips as she chooses
 - Container deposits (required to ensure return of reusable container)
 - Self-redeeming coupon



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THE BASICS OF SALES TAX

- Gross proceeds of sales does NOT include, for example:
 - Delivery and transportation charges, *in certain circumstances*
 - 911 surcharges
 - Charges for data processing
 - Environmental surcharges
 - Fees imposed on motor oil, tires, batteries, including refundable deposit (*i.e.* core charge) when a battery or used part isn't returned to retail



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THE BASICS OF SALES TAX

- Sales tax reported on Form ST-3 and ST-389, if applicable
- Due by the 20th day of the month following the month for which sales tax is being reported.
 - Example: The January 2015 forms ST-3 and ST-389 are due by February 20, 2015. If 20th day falls on weekend or federal holiday due date becomes very next business day.
 - §12-36-2570



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THE BASICS OF SALES TAX

FREIGHT AND DELIVERY CHARGES

- See South Carolina Regulation 117-310 and Revenue Ruling #98-8
- Freight charges – separately stated
 - FOB destination – included in gross proceeds of sale and sales price, therefore subject to sales and use tax
 - FOB origin – not included in gross proceeds of sale and sales price, therefore not subject to sales and use tax
 - Shipping terms not defined – FOB destination is implied



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THE BASICS OF SALES TAX

- A retailer sells tangible personal property at retail and charges the buyer a delivery charge.
- The tangible personal property is shipped to the buyer via common carrier (e.g. UPS, FedEx, USPS) and the delivery terms are FOB destination.
- Are the delivery charges included in gross proceeds of sale and thus subject to the sales tax and any local taxes, if applicable?



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THE BASICS OF SALES TAX

Answer

Yes. Transfer of title and ownership of the tangible personal property is deemed to have occurred at the delivery destination. Consequently all charges the customer/buyer must pay to the retailer up to that point are deemed included in gross proceeds of sale, i.e. subject to sales tax.

- South Carolina Regulation 117-310

Please note: this same concept applies to use tax in determining sales price, i.e. what is subject to use tax.



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THE BASICS OF SALES TAX

- A retailer sells tangible personal property at retail and charges the buyer a delivery charge.
- The tangible personal property is shipped to the buyer via CSX and the delivery terms are FOB origin.
- Are the delivery charges included in gross proceeds of sale and thus subject to the sales tax and any local taxes, if applicable?



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THE BASICS OF SALES TAX

Answer

NO. Transfer of title and ownership of the tangible personal property is deemed to have occurred at the shipping location, or point of origin. Consequently all charges the customer/buyer must pay to the retailer after title transfers to the buyer aren't properly included in gross proceeds of sale, *i.e.* not subject to sales tax.

- South Carolina Regulation 117-310

Please note:

- *This same concept applies to use tax in determining sales price, i.e. what is subject to use tax.*
- *FOB origin - primarily observed in shipment of hazardous materials, chemicals, extremely valuable merchandise, etc.*



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THE BASICS OF SALES TAX

PURCHASER'S CERTIFICATE OF REGISTRATION

- required for those persons *not making retail sales*
- who purchase tangible personal property from *outside* South Carolina
- and *store, use or consume* the property *in* South Carolina



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THE BASICS OF SALES TAX

PURCHASER'S CERTIFICATE OF REGISTRATION

- Apply by using Form SCDOR 111
 - Apply on MYDORWAY
 - Apply at the DOR Service Centers
 - Mail the SCDOR 111
- No charge for a Purchaser's Certificate of Registration



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USE TAX: THE BASICS



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THE BASICS OF USE TAX

- §12-36-1310(A) reads:

A use tax is imposed on the storage, use, or other consumption in this State of tangible personal property purchased at retail for storage, use, or other consumption in this State, at the rate of [six] percent of the sales price of the property, regardless of whether the retailer is or is not engaged in business in this State.



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THE BASICS OF USE TAX

- Definitions
 - Use
 - exercising any right or power over tangible personal property incident to ownership, or simply using the stuff



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THE BASICS OF USE TAX

- South Carolina imposes a **Use Tax** equal to 6%, plus applicable local taxes, on the sales price of tangible personal property that has been bought at retail and stored, used or otherwise consumed in South Carolina
- Use tax first adopted in 1951
- It is a transaction tax
- It is a “vendee tax”
- Purchaser has obligation to report & pay.



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THE BASICS OF USE TAX

- Definitions
 - Person
 - Individuals, corporations, municipalities, counties, authorities, state agencies, etc.
 - Tangible Personal Property (TPP)
 - Property that may be seen, weighed, measured, felt, touched or in any manner is perceptible to the senses.
 - Includes certain specific services and intangibles
 - Laundering and dry cleaning
 - Electricity
 - Communications services
 - Software, in certain circumstances



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THE BASICS OF USE TAX

- Definitions
 - Sale or purchase
 - transfer of title or possession, including rentals, leases and licenses to use
 - Sale at retail
 - sale of tangible personal property to end-user or consumer of tangible personal property, including rentals, leases and licenses to use
 - Purchase at retail
 - purchases of tangible personal property by end-user or consumer of tangible personal property



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THE BASICS OF USE TAX

- Definitions
 - Gross proceeds of sale
 - total amount proceeding or accruing from sales of a business & is subject to sales tax
 - Sales price
 - subject to use tax and is total amount for which tangible personal property is sold
 - Excludes discounts, trade-in allowances, etc.
 - Storage
 - keeping or retaining tangible personal property in South Carolina that has been bought at retail



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THE BASICS OF USE TAX

- *Sales tax* is imposed on retail sales in South Carolina
- *Use tax* complements the sales tax



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THE BASICS OF USE TAX

- Use tax is imposed on the purchaser and applies to purchases of tangible personal property from out-of-state retailers for use, storage or consumption in South Carolina, including:
 - purchases from retailers made via the Internet (retailers' websites and retailers' sales on auction sites)
 - purchases through out-of-state catalog companies or when visiting another state or another country



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THE BASICS OF USE TAX

- Use tax is due on purchases from sellers such as:
 - eBay
 - Amazon
 - Land's End
 - HSN
 - TigerDirect.com



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THE BASICS OF USE TAX

- **Generally** ... use tax would apply when South Carolina sales tax and applicable local taxes aren't paid on those purchases when they *would have been* had they been bought from a South Carolina retailer



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THE BASICS OF USE TAX

- Tangible personal property shipped into South Carolina...use tax applies when:
 - Tangible personal property is bought for use or consumption in South Carolina **AND**
 - Delivery is made in South Carolina



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THE BASICS OF USE TAX

- Total use tax includes applicable local taxes.
- Regarding the local taxes, they are determined by where tangible personal property will be used, stored or consumed, regardless of where the sale takes place
 - Example: Tangible personal property is shipped from a Tennessee retailer into Charleston County where it will be stored, used or consumed - 6% state, 1% local option, ½% transportation and 1% education capital improvement
 - (8½% total) is due as **use tax** on that purchase



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THE BASICS OF USE TAX

- South Carolina will allow a credit against the South Carolina use tax for another state's sales and local taxes, *provided*:
 - Tangible personal property purchased in one of other 49 states;
 - Other state's tax must be **legally due and paid**; **AND**
 - Taxpayer has proof the other state's tax was legally due *and* paid.



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THE BASICS OF USE TAX

- **Example:** Tangible Personal Property purchased from an Augusta retailer.
 - South Carolina purchaser *goes to* Augusta to buy the tangible personal property and pays 7% Georgia state and local taxes.
 - Returns to South Carolina with tangible personal property and consumes the tangible personal property in Aiken County.

South Carolina use tax due	6%
Aiken County local taxes	2%
Total use tax due, before credit	8%
Less Georgia tax <i>legally due and paid</i>	7%
SC use tax due	1%



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THE BASICS OF USE TAX

- **One more example:** Tangible Personal Property is purchased from a Knoxville retailer.
 - South Carolina purchaser *goes to* Knoxville to buy the tangible personal property and pays 11% Tennessee state and local taxes.
 - Returns to South Carolina with the tangible personal property and consumes the tangible personal property in Greenwood County.



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THE BASICS OF USE TAX

South Carolina use tax due	6%
Greenwood County local taxes	0%
Total use tax due, before credit	6%
Less Tennessee tax <i>legally due and paid</i>	11%
South Carolina use tax due	0%

Sorry, no refund from anyone is due the taxpayer. (*South Carolina Revenue Ruling # 06-4*)



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LOCAL TAX

- Local Option Tax
- Transportation Tax
- Capital Projects Tax
- School District Tax/Education Capital Improvement Tax
- Tourism Development Tax



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LOCAL TAX

- Local tax rate is determined by where the tangible personal property will be used, stored or consumed, regardless of where the sale actually takes place



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LOCAL OPTION TAX

- Imposed to reduce the property tax burden on persons in the county
 - Example: Fairfield



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TRANSPORTATION TAX

- Imposed to defray the debt service on bonds issued for various transportation projects (i.e. roads & bridges)
 - Example: Richland



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CAPITAL PROJECT TAX

- Imposed to defray the debt service on bonds issued for various capital projects in the county (i.e. roads, bridges, public facilities, water/ sewer projects)
 - Example: Newberry



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SCHOOL DISTRICT/EDUCATION CAPITAL PROJECT TAX

- Imposed to pay debt service on general obligation bonds and/or cost of capital improvements
 - Example: Lexington



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TOURISM DEVELOPMENT TAX

- Imposed specifically for tourism advertisement and promotion directed at non-South Carolina residents

- Example: City of Myrtle Beach



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REMINDERS

- Transactions exempt from the Food Tax are still subject to the 1% Local Taxes
- Exception: The following counties exempt food from the 1% School District Tax and 1% Capital Projects Tax.
 - Aiken
 - Cherokee
 - Chesterfield
 - Darlington
 - Dillon
 - Jasper
 - Lee
 - Lexington
 - Marlboro
 - Newberry
 - York
 - (Clarendon County imposes the 1% School District Tax on the purchases of food that may be purchased with USDA food coupons)



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INDIVIDUALS 85 YEARS AND OLDER

- Excluded from 1% of the 6% Sales and Use Tax
 - Taxed at 5% state rate
 - Local tax still applies
- Retailers must post sign
 - See South Carolina Revenue Ruling #08-5

INDIVIDUALS 85 YEARS AND OLDER
You are entitled to a 1% state sales tax reduction on items purchased for your personal use. You must ask for the reduction and present proof of your age at the cash register.



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HOW TO FILE SALES & USE TAX

- Sales & Use tax reported on Form ST-3 and ST-389, if applicable
- Due by the 20th day of the month following the month for which Sales and Use tax is being reported
 - Example: The January 2015 forms ST-3 and ST-389 are due by February 20, 2015. If 20th day falls on weekend or federal holiday due date becomes very next business day. (§12-36-2570)



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HOW TO FILE SALES & USE TAX

- ST-3 State Sales and Use Tax Return
- Complete the Worksheet (Back of ST-3)
 - Item 2 – Out of state purchases
 - Item 3 - Total of Gross Proceeds of Sales and out of state purchases
- DOR Individual Use Tax System, UT-3 or SC1040
- Subject to 6% state sales/use tax
- Subject to applicable local taxes
- Tax is reported monthly, quarterly or annually



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DISCOUNTS

- Taxpayers are allowed a discount for filing returns and paying taxes timely.
 - If total tax due (for all taxes) is less than \$100, the discount is 3%
 - If total tax due (for all taxes) is \$100 or more, the discount is 2%



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DISCOUNTS

- \$3,000 in a state fiscal year
 - July 1 through June 30
 - Per Taxpayer, all locations, for all tax types
- \$3,100 if you file Electronically
- \$10,000 if non resident retailer not required to register in SC



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ELECTRONIC SERVICES



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ELECTRONIC SERVICES



- MyDORWAY is the South Carolina Department of Revenue's new taxpayer portal offering one convenient place to register your business, file tax returns, make payments, and view related correspondence.
- **When?**
 - MyDORWAY will be available beginning in September 2015 and will include services for withholding and sales tax. Additional taxes will be added over the next three years.



ELECTRONIC SERVICES



- **Why MyDORWAY?**
 - **Accuracy:** Automated calculations reduce errors and ensure information is complete.
 - **Convenience:** File now and pay later.
 - **24-7 Access:** Register with SCDOR, pay and file online, from anywhere at any time.

- **What if I've been using other SCDOR eServices?**
 - Taxpayers currently using other SCDOR eServices such as eSales or eWithholding (or ePay for withholding payments), will now use MyDORWAY. With the launch of MyDORWAY, eSales and eWithholding will no longer be accessible.
 - ePay will no longer support withholding payments but will remain available for other taxes until the MyDORWAY three-year implementation is complete.



ELECTRONIC SERVICES



- **Which taxes will be supported by MyDORWAY beginning in September 2015?**

Beginning September 2015 on MyDORWAY		
Sales	Local	Miscellaneous Sales
Accommodations Tax	Capital Projects Tax	Rental Car Surcharge
Arts/Crafts	Catawba Tribal Tax	Solid Waste Tax
Aviation Fuel	Education Capital Improvement Tax	900% Telephone Services
Maximum Tax	Local Option Sales/Use Tax	911 User Fees
Retailer's License Fee	School District Tax	
Sales Tax	Transportation Tax	Withholding
Use Tax	Tourism Development Tax	Withholding Tax



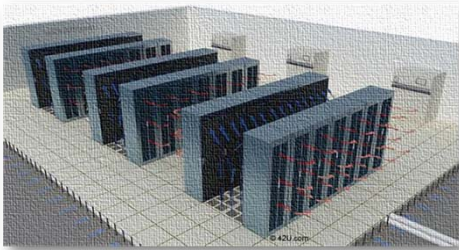
ELECTRONIC SERVICES

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WARRANTY/MAINTENANCE INFORMATION



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WARRANTY/MAINTENANCE INFORMATION

- South Carolina Revenue Ruling #11-1
 - Revenue Ruling #11-1 reinstates Revenue Ruling #93-6, a copy of which you should have
 - Revenue Ruling #93-6 addresses taxability of extended warranties



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WARRANTY/MAINTENANCE INFORMATION

- Hardware maintenance and warranties
 - Examples:
 - HVAC equipment maintenance contracts and extended warranties
 - Office equipment maintenance contracts and extended warranties
 - Pumps, generators, grinders, compressors maintenance contracts and extended warranties
 - NOT automobile maintenance contracts and extended warranties



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WARRANTY/MAINTENANCE INFORMATION

- Hardware maintenance and warranties
 - Effective September 1, 2011, if a maintenance contract or warranty is sold “at the same time” as the hardware, equipment, etc.
 - Cost of agreement or warranty is included in gross proceeds of sale or sales price, *i.e.* it is subject to the sales or use tax
 - Funding source is of no consequence



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WARRANTY/MAINTENANCE INFORMATION

- Currently there’s no authoritative guidance as to interpretation of the phrase “at the same time”
- *Suggestion: use common English understanding of the phrase*
- Same contractor/retailer/dealer sold or billed on same day, same invoice or same or related purchase order ... may reasonably assume sold “at the same time”



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WARRANTY/MAINTENANCE INFORMATION

- Effective September 1, 2011, if a maintenance contract or warranty is **not** sold “at the same time” as the hardware, equipment, or whatever
 - Cost of agreement or warranty isn’t included in gross proceeds of sale or sales price, *i.e.* it isn’t subject to the sales or use tax
 - Funding source is of no consequence
 - Currently there’s no authoritative guidance as to interpretation of the phrase “at the same time”
 - *Suggestion: use common English understanding of the phrase*



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WARRANTY/MAINTENANCE INFORMATION

- **Example:** Newberry County EMS purchases a 100 kw generator through State Purchasing.
 - The purchase order includes the cost of an extended warranty and maintenance contract through the supplier/vendor.
 - Sounds as though the extended warranty and maintenance contract was purchased "at the same time" as the generator, hence those charges are included in gross proceeds or sale or sales price, *i.e.* subject to the sales tax or use tax, plus applicable local taxes



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SOFTWARE PURCHASE/ MAINTENANCE CHARGES



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SOFTWARE PURCHASES/ MAINTENANCE CHARGES

- South Carolina Revenue Ruling #11-2
 - Revenue Ruling #11-2 reinstates Revenue Ruling #03-5, a copy of which you should have
 - Revenue Ruling #03-5 addresses taxability of software and software maintenance contracts



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SOFTWARE PURCHASES/
MAINTENANCE CHARGES

- Computer software sold and delivered to a purchaser by *tangible means*, such as on a disk, is a sale subject to the sales or use tax
- §12-36-60 provides that tangible personal property is "personal property which may be seen, weighed, measured, felt, touched, or which is in any other manner perceptible to the senses. It also includes services and intangibles, including communications, ...the sale or use of which is subject to tax ...



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SOFTWARE PURCHASES/
MAINTENANCE CHARGES

- Prewritten Programs - The tax applies to total charges for producing and reproducing prewritten programs including charges for the disks or other properties when furnished by the seller or producer by tangible means.



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SOFTWARE PURCHASES/
MAINTENANCE CHARGES

- Custom Software - prepared to the special order of a customer, the gross proceeds therefrom are subject to the tax when provided by tangible means
 - Includes custom software developed through modification of existing software for customer's specific needs
 - Includes charges to modify and adapt these programs to a customer's equipment (including testing) or translating software to a format or platform compatible with customer's equipment
 - Revenue Ruling #03-5



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SOFTWARE PURCHASES/ MAINTENANCE CHARGES

- Computer software sold and delivered to a purchaser by *electronic means* isn't taxable
 - In making this determination it must be determined whether the true object of the sale of software electronically delivered is the sale of the intangible software: the "true object" is not the access or use of the communication or any other system
 - Accordingly, computer software sold and delivered by electronic means does not meet the definition of tangible personal property and is therefore not subject to the sales and use tax



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SOFTWARE PURCHASES/ MAINTENANCE CHARGES

- Application Service Providers (ASP)
 - charges are similar to charges by database access services and are therefore subject to the sales and use tax
 - ASP isn't charging "for ... data processing" as defined in §12-36-910(C) and thus is taxable



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SOFTWARE PURCHASES/ MAINTENANCE CHARGES

- Maintenance Contracts Made in Conjunction With the Sale of Software
 - Charges for maintenance agreements (whether optional or mandatory) made in conjunction with, or as part of the sale of, software *delivered by tangible means* are includable in gross proceeds of sales or sales price and subject to sales or use tax
 - Includes renewals of maintenance contracts that were originally taxable



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SOFTWARE PURCHASES/
MAINTENANCE CHARGES

- Maintenance Contracts Not Made in Conjunction With the Sale of Software
 - They may or may not be taxable
 - True object of the contract must be established
 - If the true object of a contract is to get tangible personal property (e.g. software updates disks), the total charges for the contract are taxable, even though certain services are provided
 - If the true object is to acquire services (e.g. telephone assist, tech support), then the total charges aren't taxable, even though certain tangible personal property is provided



SOFTWARE PURCHASES/
MAINTENANCE CHARGES

- See Q&A beginning on pg. 9 of Revenue Ruling #03-5 for more assistance in this matter



SOFTWARE PURCHASES/
MAINTENANCE CHARGES

- See **Revenue Ruling # 12-1** for more guidance on delivery by tangible means vs. electronic means
- Consider this scenario to illustrate this concept
 - Software is sold and delivered electronically whereby a technician brings software to the buyer's office on a laptop computer,
 - establishes a connection between the laptop and the buyer's computer via the Internet, a **wireless** network, or any other **wireless** connection in order to download the software,
 - and then terminates the connection between the computers and leaves.

Taxable for sales or use tax?



SOFTWARE PURCHASES/ MAINTENANCE CHARGES

- **Answer:** Software sold and delivered by electronic means via the Internet, a **wireless** network, or any other **wireless** connection at the buyer's office isn't subject to the sales and use tax, *provided* no part of the software, including back-up tapes, disks, or flash drives, is delivered by tangible means



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SOFTWARE PURCHASES/ MAINTENANCE CHARGES

- Please Note: Charges by an application service provider (ASP) that allows a customer to access the application service provider website and use the software *on that website* are subject to the sales and use tax
- §§12-36-910(B)(3) & 12-36-1310(B)(3)
- Revenue Rulings #06-8 & #03-5
- South Carolina Regulation 117-329



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EXEMPTIONS & EXCLUSIONS

- **Exclusions**
 - Construed in favor of the taxpayer, when there's doubt.
- **Exemptions**
 - Strictly construed in favor of the State. The taxpayer must fall squarely and clearly within the exemption.



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GOVERNMENT EXEMPTION

- Federal Government Is Exempt From Nearly Everything It Buys And Sells
- All State, County And Municipal Entities Must Pay The Sales Or Use Tax, *unless the transaction is otherwise exempt*



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EXCLUSIONS

- Example – sale for resale
 - §12-36-120(1)
 - South Carolina Revenue Procedure # 08-2
 - Purchaser provides his vendor/supplier a Form ST-8 or ST-8A



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PARTIAL EXEMPTIONS TAXABLE, BUT SUBJECT TO A CAP

- Aircraft
- Motor Vehicles (defined at §§ 56-2-110 thru 56-2-130)
- Motorcycles (on or off road)
- Boats
- Trailers and semi-trailers capable of being pulled *only* by a truck tractor
- Self propelled light construction equipment – max 160 net HP



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PARTIAL EXEMPTIONS
TAXABLE, BUT SUBJECT TO A CAP

- Fire trucks (funding source is inconsequential)
- Equipment provided or installed on a fire truck IF included in original acquisition transaction
- Fire safety education trailer (funding source is inconsequential)
 - Lease of each of the above items *if* lease states specific terms and remains in force for > 90 continuous days. (Funding source is inconsequential.) Each lease renewal or subsequent purchase is subject to tax again.)



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FULL EXEMPTIONS

SOME EXAMPLES

- Sales to / by the federal government [§12-36-2120(2)]
- Sales of autos and motorcycles to nonresident military personnel [§12-36-2120(25)]
- War memorials and monuments [§12-36-2120(46)]



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FULL EXEMPTIONS

SOME EXAMPLES

- Solid waste disposal collection bags required under a solid waste disposal plan of a county or other political subdivision [§12-36-2120(48)]
- Any property sold to the public via a Sheriff's sale [§12-36-2120(68)]
- Federal government contracts [SC Revenue Ruling # 04-9]
- 70% of gross proceeds of the rental or lease of portable toilets [§12-36-2120(62)]



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FULL EXEMPTIONS

SOME EXAMPLES

- Sales of meals to school kids [§12-36-2120(10)(a)]
- TV, radio, and CATV supplies, equipment, machinery and electricity [§12-36-2120(26); SC Reg. 117-328]
- Water sold by public utilities and certain non-profit corporations [§12-36-2120(12)]
- Residential electricity and fuel [§12-36-2120(33)]



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FULL EXEMPTIONS

SOME EXAMPLES

- Sales by nonprofit organizations [§12-36-2120(41)]
- Sale for resale and certain non-profit corporations [§12-36-2120(12)]
- Newspapers, newsprint paper and the South Carolina Department of Agriculture Market Bulletin [§12-36-2120(8)]
- Medicine and prosthetic devices sold by prescription [§12-36-2120(28)]



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FULL EXEMPTIONS

SOME EXAMPLES

- Textbooks, books, magazines, periodicals, newspapers and access to on-line information systems used in a course of study in primary and secondary schools and institutions of higher learning or for students' use in school library of these schools; and books, magazines, periodicals, newspapers and access to on-line information systems sold to *publicly supported state, county or regional libraries, provided are open to the public without charge*
- South Carolina Regulation 117-316 and South Carolina Revenue Ruling # 94-11



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EXAMPLES OF TAXABLE PURCHASES

- Firearms and ammunition for law enforcement personnel
- Police equipment, supplies, tactical supplies and equipment, uniforms, patches, badges, vests, etc.
- Office equipment, furniture, supplies
- Computer hardware and some software
- Printers, printer supplies
- Recreational equipment
- Shovels, hammers, wrenches, saws, nuts, bolts, fasteners, paint, signage



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EXAMPLES OF TAXABLE PURCHASES

- Plants, planting material, irrigation supplies, trees
- Tires, auto repair parts, lubricants
- Insecticides, herbicides, pesticides
- Testing equipment
- Reference books and material (not public libraries)
- On-line research subscription / fees

FUNDING SOURCE IS INCONSEQUENTIAL



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APPLICATION FOR SALES TAX EXEMPTION FOR EXEMPT ORGANIZATIONS

FORM ST-387

- Used by certain exempt organizations
- Sales tax exemption certificate
 - Allows organization to purchase items for resale tax-free and to sell items tax-free
- See South Carolina Revenue Procedure #03-6



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APPLICATION FOR SALES TAX
EXEMPTION FOR EXEMPT
ORGANIZATIONS

FORM ST-387

Remember:

- o The organization must be selling goods.
- o The organization qualifies for one of the property tax exemptions listed in §12-36-2120(41)
- o The organization is exempt from federal income tax under IRC §501(c)(3) or (19)



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ST-9 EXEMPTION CERTIFICATE

- Issued to an entity after the application for exemption has been approved.
- The holder of the exemption certificate assumes liability for any taxes that may be due.



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ST-9 EXEMPTION CERTIFICATE

- An ST-9 issued to a non-profit organization under §12-36-2120(41) will have the following information printed above the name and address:

*****Certificate Valid Only if All Apply*****

- Purchases will be resold
- Proceeds are used for an exempt purpose
- No profit will incur to any individual



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CODE SECTION 12-36-2120

Read §12-36-2120 for a listing of all sales and use tax exemptions



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QUESTIONS??



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CONTACT US

SALES & USE TAX QUESTIONS: 803-898-5000

ACCOMMODATIONS QUESTIONS: 803-898-5970

VISIT OUR WEBSITE: DOR.SC.GOV



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