

Information Guide

South Carolina Withholding Tax

South
Carolina
Department
of Revenue



PURPOSE.

This information guide briefly explains the South Carolina income tax withholding law. It is not designed to answer all questions which might arise, but is intended to enable withholding agents to become familiar with South Carolina income tax withholding requirements.

WHO MUST WITHHOLD.

Every withholding agent having an employee earning wages in South Carolina and who is required to make a return or deposit with the Internal Revenue Service shall make a return or deposit to the South Carolina Department of Revenue any taxes that have been withheld for state purposes.

In addition to withholding from wages, South Carolina requires withholding from royalties, prizes, winnings, nonresident contractors (contracts exceeding \$10,000.00), and rental payments made to nonresidents who own five or more residential units or one or more commercial properties in South Carolina.

WITHHOLDING FROM EMPLOYEES.

A federal Form W-4 should be on file for each employee to determine the amount of income tax to withhold from an employee's wages. South Carolina has adopted the use of Federal Form W-4. It is not required that an employee file a separate Form W-4 for state purposes, unless he/she claims a different number of exemptions from those claimed for federal purposes. Use the federal Form W-4 and indicate on the face of the form that it is "For State Purposes". An employee is not allowed to claim a greater number of exemptions for state purposes than the exemptions claimed for federal purposes. The IRS provides federal form W-4. Notify SCDOR if employee claims 10 or more exemptions. Withhold at the rate of zero exemptions if no exemption certificate is provided.

WITHHOLDING APPLICATION.

The withholding agent shall apply for and obtain a South Carolina withholding number by completing and returning a South Carolina Department of Revenue Business Tax Application, Form SCTC 111, to the South Carolina Department of Revenue.

The application may be mailed to the South Carolina Department of Revenue, Registration Section, Columbia, SC 29214-0140, or presented at one of the Taxpayer Service Centers in Columbia, Greenville, Spartanburg, Rock Hill, Florence, Myrtle Beach, Charleston, Beaufort, or Aiken.

A South Carolina withholding number will be issued by the South Carolina Department of Revenue. This withholding number is permanent and will not be issued to any other business or person. Should the form of ownership change, a new withholding number must be obtained.

The withholding number issued should appear on all reports, returns, and correspondence concerning the withholding account.

REMITTING TAXES WITHHELD.

Withholding agents registered to collect and remit South Carolina income tax withheld will receive the necessary book with forms for remitting the taxes. Each form in the book will be preprinted with the name and withholding number assigned to the withholding agent.

Withholding agents (**resident and nonresident**) whose South Carolina withholding tax exceeds \$20,000 during a quarter are identified and mandated to pay by electronic funds transfer (EFT) by their due date. Any withholding agent may voluntarily participate in EFT.

All South Carolina employers are required to withhold tax from employee wages at the same time employees are paid. There is no state withholding tax dollar limit which determines when a deposit or payment is to be made (except for non-resident employers).

South Carolina **resident** withholding agents (except EFT payors) are to deposit state withheld taxes with their local banks (using form WH-1601) at the same time that federal income tax withholding, FICA, and Medicare are deposited. All late payments and payments made **without** a pre-printed payment form must be mailed to the South Carolina Department of Revenue.

A **nonresident** withholding agent whose accumulated South Carolina withheld tax is less than \$1,000.00 during a calendar quarter must remit tax withheld to the Department by the last day of the month following the quarter in which the tax was withheld. If the accumulated amount withheld is \$1,000.00 or more by the end of a month, the tax withheld must be remitted by the 15th day of the following month.

ENTERPRISE ZONE ACT/RURAL DEVELOPMENT ACT CREDITS
Withholding agents (who have qualified and been approved) may use a portion of the state income tax withheld from their employees as job development fees. These fees include adding new positions and/or employee retraining. Complete information is available upon request.

FORMS TO BE FILED
Form WH-1601 - South Carolina Withholding Tax Payment Coupon
Coupon to be used for making timely deposit to the bank or payment to the South Carolina Department of Revenue by due date.

Form WH-1605 - Withholding Tax Return (Quarterly)
Return used to file quarterly reconciliation and pay balance of tax due, if any. This return must be mailed to the South Carolina Department of Revenue at the address on the form.

Form WH-1606 - Fourth Quarter/Annual Reconciliation of Income Tax Withheld
Return used for the fourth quarter/annual reconciliation and transmittal of the state copy for each W-2 form (or 1099 with state tax withheld).

Note: Be sure to keep a record of your payments. You will need this information when preparing Forms WH-1605 and WH-1606.

RECONCILIATIONS
There are two types of reconciliation - Quarterly and Fourth Quarter/Annual.

Quarterly - All withholding agents are required to file a quarterly reconciliation of payments made during the quarter. **Form WH-1605 is to be filed for any open account even if no tax is due. Failure to file the quarterly return will result in a delinquent notice being mailed.**

Due dates are the same as the Federal:

First Quarter	April 30
Second Quarter	July 31
Third Quarter	October 31
Fourth Quarter/Annual Reconciliation	End of February

Fourth Quarter/Annual - A fourth quarter/annual reconciliation return must be used to reconcile the withholding account for the fourth quarter and year. It is also used to transmit state copies of W-2 forms (or 1099's with state tax withheld). WH-1606 must be completed.

WH-1606 is to be filed for any account that was open for any portion of the year.

PENALTIES AND INTEREST

- Penalties** - A. Failure to file a return with tax due:
1. Less than 60 days (late) of the due date
 - a. 5% per month (or portion of month) of the tax due
 2. More than 59 days (late) after the due date
 - a. 5% of the tax due per month (or portion of month) up to maximum of 25%
 - b. Lesser of: \$100.00 or 100% of tax due
 - c. GREATER OF: 2a. or 2b.
- NOTE:** If the tax due is less than \$100.00, the late file penalty is computed as shown in 2a. only.
- B. Failure to timely pay tax due:
1. 1/2% per month (or portion of month) up to maximum of 25%
- A. Failure to timely deposit:
1. \$10.00 to \$1,000.00

Interest - Interest on all overdue accounts will be assessed at the rate provided under Sections 6621 and 6622 of the Internal Revenue Code. Rates may change quarterly depending on the prime rate. Interest will be compounded daily.

TAX TABLES
Utilize the withholding tax tables furnished to you to determine correct amounts to withhold from wages.

Contact the South Carolina Department of Revenue, Columbia Mill Building, 301 Gervais Street, Columbia, South Carolina 29201 or one of the Taxpayer Service Centers listed below for additional information.

TAXPAYER SERVICE CENTERS

Aiken 410 Barnwell Avenue NW P.O. Box 2799 Aiken, SC 29802 (803) 641-7685 (803) 641-7684 (FAX)	Greenville 211 Century Drive, Suite 210-B P.O. Box 10235 Greenville, SC 29603 (864) 241-1200 (864) 232-5008 (FAX)
--	---

Beaufort Carolina Cove Executive Center, Suite 112 2201 Boundary Street P.O. Box 4088 Beaufort, SC 29903 (843) 524-2852 (843) 524-2188 (FAX)	Myrtle Beach 141 McDonalds Court P.O. Box 20129 Myrtle Beach, SC 29577 (843) 293-6550 (843) 293-2014 (FAX)
---	--

Charleston Southpark Office Building 3 Southpark Circle, Suite 202 Charleston, SC 29407 (843) 852-3600 (843) 556-1780 (FAX)	Rock Hill Business and Technology Center 454 S. Anderson Road Suite 202 P.O. Box 12099 Rock Hill, SC 29731 (803) 324-7641 (803) 324-8289 (FAX)
---	--

Columbia 800 Dutch Square Plaza, Suite 211 P.O. Box 21588 Columbia, SC 29221 (803) 737-8005 (803) 798-1160 (FAX)	Spartanburg Hillcrest Offices, Suite 475 Fernwood-Glendale Road P.O. Box 18323 Spartanburg, SC 29318 (864) 594-4900 (864) 594-4906 (FAX)
--	---

Florence
1452 West Evans Street
P.O. Box 5418
Florence, SC 29502
(843) 661-4850
(843) 662-4876 (FAX)

Call (803) 898-5000 for information on any offices not listed in this directory.