



YORK COUNTY
ECONOMIC DEVELOPMENT
SOUTH CAROLINA

STATE AND LOCAL BUSINESS TAXES 2017
YORK COUNTY ECONOMIC DEVELOPMENT



The following information on taxes will assist qualified businesses that are considering relocating or expanding in York County, South Carolina. Complete information on each item is available by contacting York County Economic Development Corporation at (803) 802-4300

STATE CORPORATE INCOME TAX:

In South Carolina, businesses are only taxed on the portion of income derived from their in-state operations. The process for determining the taxable income in South Carolina is described below.

Allocated Income:

Certain corporate income is allocated to the corporation for South Carolina tax purposes before apportionment is applied. This includes interest, dividends, royalties, rents, property sale gains and losses, and personal services income associated with the South Carolina facility.

Apportioned Income:

SC offers a single factor sales apportionment formula. A company's income will be apportioned to South Carolina by multiplying the net income remaining after allocation by a fraction, the numerator of which is the value of sales made in South Carolina and the denominator is the total value of sales of the taxpayer. Once the ratio is determined it is then applied to the corporation's total income to determine the amount of income attributed to South Carolina operations.

A 5% corporate income tax rate is applied to the sum of these incomes. The resulting figure is the company's state corporate income taxes.

(see next page)



STATE CORPORATE INCOME TAX (CONTINUED):

The following shows the corporate income tax liability for a company based on the following assumptions.

1. Income (Total Sales) \$10,000,000
2. Sales in SC \$750,000

Based on those assumptions, the apportionment formula is:

$$\$750,000/\$10,000,000 = 7.5\%$$

7.5% = Amount of income apportioned to SC

If 7.5% of the company's income is derived from its South Carolina operations, then the company will owe \$37,500 in corporate income taxes before credits based on the South Carolina corporate income tax rate of 5%.

$$(\$10,000,000 \times 7.5\%) \times 5\% = \$37,500$$

In addition, South Carolina allows businesses a 20-year carry forward for net operating losses.



SC BUSINESS LICENSE FEE (FRANCHISE TAX):

All corporations must pay an annual fee to the SC Department of Revenue. The rate is one mill per dollar (\$0.001) of a proportion of total paid-in-capital and paid-in-surplus, plus \$15. Earned surplus (retained earnings) is not included in the base when calculating the fee. For corporations doing business outside the state, the fee is determined by apportionment – same as the corporate

SALES & USE TAX:

The SC sales & use tax rate is 6 percent. The sales tax applies to all retail, leases, and rentals of tangible personal property, including the value of property purchased at wholesale and used or consumed by the purchaser, unless specifically exempt. The use tax is based on the sales price of such property. SC counties can apply additional 1 to 2 percent local option sales & use tax. York County has leveraged a 1 percent additional tax to improve roads in the county. York County's total sales and use tax rate is 7 percent.

Exemptions:

South Carolina supports new and expanding industry with a wide range of valuable exemptions to the sales tax (state and local).

These exemptions include the following:

- Machinery and equipment, and applicable repair parts, used in the production of tangible goods;
- Materials that will become an integral part of the finished product;
- Coal, coke, or other fuel for manufacturers, transportation companies, electric power companies, and processors;
- Industrial electricity and other fuels used in manufacturing tangible personal property;
- Research and development machinery and equipment;
- Air, water and noise pollution control equipment;
- Material handling equipment for manufacturing or distribution projects investing \$35 million or more in the state;
- Packaging materials; and
- Long distance telephone calls and access charges, including 800 services.

SALES & USE TAX (CONTINTUED):

Construction Materials:

Construction materials used in the construction of a single manufacturing or distribution facility with a capital investment of at least \$100 million in an 18 month period will be exempt from sales tax.

Technology Intensive Materials:

“Technology intensive” companies locating or expanding in South Carolina may be exempt from some sales and use taxes when the new or expanding facility meets certain investment and job creation requirements. For a company to qualify for these exemptions, the expanding and/or new facility must:

Recycling Equipment:

For a new or expanding recycling facility that invests at least \$300 million by the end of the fifth calendar year after the year in which the company begins construction or operation of the facility, South Carolina provides certain exemptions from sales and use tax. The facility must manufacture products for sale composed of at least 50% post-consumer waste material by weight or volume.

The items that will be exempt from sales and use tax are as follows:

- Recycling property used at the facility;
- Electricity, natural gas, propane or fuels of any type, oxygen, hydrogen, nitrogen or gases of any type, and fluids and lubricants used by the facility;
- Tangible personal property that becomes, or will become, an ingredient or component part of products manufactured for sale by the facility;
- Tangible personal property of, or for, the facility which is, or will be used: (1) for the handling or transfer of post-consumer waste material, (2) in, or for, the manufacturing process, or (3) in, or for, the handling or transfer of manufactured products; and
- Machinery and equipment foundations used, or to be used, by the facility.



SALES & USE TAX (CONTINUED):

Datacenter Materials:

Datacenters locating or expanding in South Carolina may be exempt from some sales and use taxes when the new or expanding facility meets certain investment and job creation requirements. For a company to qualify for these exemptions, the expanding and/or new facility must:

- Be certified by the SC Department of Commerce as a qualifying datacenter;
- Invest at least \$50 million (or a combined \$75 million with one or more other companies) in real or personal property at a single facility over a five year period;
- Create at least 25 new jobs within a five year period with an average wage that is at least 150% of the state or county per capita wage, whichever is lower; and
- Maintain the 25 jobs for at least 3 years.

The items that may be exempt from sales and use tax are: computer equipment, software and electricity directly used in data-center operations. Once qualified for this exemption, all future computer equipment purchases are exempt.

If the company does not meet the investment or job creation requirements, the company must pay back the entire amount of sales tax exempted. If the company meets the investment and job creation requirements within the five year period but fails to maintain the 25 jobs for three years, the company may obtain a pro-rata exemption on sales taxes paid for electricity but not for computer hardware or software.

Recycling Equipment:

There is no State tax on real and personal property. In SC, local government levies property taxes.

LOCAL PROPERTY TAXES:

The Department of Revenue determines the fair market value of a business' real property (land and building) and personal property (machinery and equipment) to assure equitable local treatment.

The calculation of property taxes involves the following three elements:

1. **Valuation:** Real property, other than agriculture real property or property subject to a negotiated fee-in-lieu of tax (see below), is appraised to determine fair market value.
2. **Assessment Ratio:** The assessment ratio, established in the State Constitution to ensure stability, is 10.5% for manufacturing property (in the absence of a fee-in-lieu agreement) and 6% for commercial real property. Commercial personal property is assessed at 10.5%. The valuation is multiplied by this ratio to produce the "assessed value" of a particular piece of property. Taxes are levied based upon this assessed value.
3. **Millage:** Each taxing jurisdiction determines on an annual basis the number of mills required to apply to the total assessed value of property subject to taxation within its jurisdiction in order to raise the money it needs to operate for the next year. (Each jurisdiction also takes other sources of revenue into account in making this determination.) The current millage rate for York, SC is 314 mills.
4. **Exemptions:** In support of business, South Carolina exempts three classes of property from local property taxation.
 1. All inventories (raw materials, work-in-progress, and finished goods)
 2. All intangible property; and
 3. All pollution control equipment

Note: Only the SC Dept. of Revenue, local elected councils, and the SC Coordinating Council for Economic Development have the authority to offer definitive tax commitments under SC law. This information is provided to illustrate SC's pro-business environment and to assist a company in their evaluation of SC.

Depreciation:

Depreciation rates are determined by the SC Department of Revenue (DOR) based on the type of personal property. For manufacturers, personal property is allowed to depreciate annually at a rate set in law according to the company's primary function (the most common depreciation rate is 11% per year). For all other businesses, the Personal property is allowed to depreciate annually (once it is placed in service) at the rate claimed by the company for income tax purposes. The company will be allowed to depreciate its personal property to a level of 10% of the original property value.

STATE INTANGIBLE PERSONAL PROPERTY TAX:

In support of business, SC exempts all intangible property from local property taxation.

Property Tax: