

SCHEDULE NR INSTRUCTIONS 2008

(Rev. 10/7/08)

**Use Schedule NR if you are a nonresident or filing as a part year resident.
Check the Schedule NR box on the front of SC1040.
Attach Schedule NR to your completed SC1040.
Do not submit Schedule NR separately.
Your return cannot be processed if Schedule NR is submitted separately.**

INCOME AND EXCLUSIONS

Lines 1 through 15

Enter on the appropriate lines of Schedule NR all income and losses. Indicate losses by placing the figure in brackets.

- **ENTER IN COLUMN A YOUR TOTAL INCOME AS REPORTED ON YOUR FEDERAL RETURN.**
- **ENTER IN COLUMN B ONLY THE INCOME SUBJECT TO SOUTH CAROLINA INCOME TAX.**

Income on lines 1 through 15 must be modified in some cases. The following line by line instructions provide explanations of the amount to be entered in Column B.

ROUND-OFF ALL AMOUNTS TO THE NEAREST WHOLE DOLLAR.

ITIN - INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER

It is mandatory that you provide your social security number on any tax form. If you are a nonresident or resident alien and cannot get a Social Security number, you may contact the Internal Revenue Service to apply for and obtain an Individual Taxpayer Identification Number (ITIN) for the purpose of filing income tax returns. South Carolina will accept this number in lieu of a Social Security number for the purposes of processing your individual income tax returns. For information on obtaining an ITIN, please contact the Internal Revenue Service at 1-800-829-1040 or www.irs.gov

Line 1 WAGES, SALARIES, TIPS, etc.

Enter in Column B wages, salaries, tips or other compensation you received as an employee reported as South Carolina income on your W-2s.

Note: A military service member whose home of record (or residence) is a state other than South Carolina should reduce Column A, line 1 by the amount of military compensation. Do not make an adjustment if South Carolina is the home of record.

Lines 2 and 3 TAXABLE INTEREST AND DIVIDEND

Generally, interest, dividend income, and interest from other state's obligations are taxable by South Carolina only for the time you were a resident of South Carolina. Interest connected with a trade or business in South Carolina should be included in Column B regardless of state of residency. Do not include in Column B interest income from U.S. or South Carolina obligations.

Line 4 TAXABLE REFUNDS, CREDITS, OR OFFSETS OF STATE AND LOCAL INCOME TAXES

Refund of state and local income tax(es) is not taxable under South Carolina income tax law. Enter the amount from line 10, federal Form 1040 in Column A. Do not enter an amount in Column B.

Line 5 ALIMONY RECEIVED

Alimony received is taxable to South Carolina only for the time you were a resident of South Carolina. Enter this amount in Column B.

Line 6 BUSINESS INCOME OR (LOSS)

Enter in Column B only the income or loss incurred from businesses located within S.C. Indicate business losses in brackets.

NOTE: As of January 1, 2009, a business must add back any amount paid for services performed by an unauthorized alien if the amount is \$600 or more a year. An "unauthorized alien" is a person who is not admitted for permanent residence and not authorized to be employed either under federal law or by the U.S. Attorney General. An add-back is not required if: (1) the business is a S.C. business exempt from compliance with federal employment verification procedures under federal law; or (2) the person being paid is not directly paid or employed by the business; or (3) the employment status of the person is verified using the procedures contained in the new law; or (4) the person was hired by the taxpayer before January 1, 2009; or (5) the business made a reasonable investigation of the person and did not know or should not have known that the person was an unauthorized alien.

Lines 7 and 8 CAPITAL GAIN OR (LOSS) AND OTHER GAINS OR (LOSSES)

Gains or losses from sale of real property (such as land or buildings) located in South Carolina must be reported in Column B. Indicate losses in brackets.

Gains or losses from property other than real property (such as stocks or bonds) sold while a resident of South Carolina must also be included in Column B.

Lines 9 and 10 TAXABLE AMOUNTS OF IRA DISTRIBUTIONS, PENSIONS AND ANNUITIES

Report in Column B, taxable amounts while a resident of South Carolina.

Line 11 RENTAL REAL ESTATE, ROYALTIES, PARTNERSHIPS, ESTATES, TRUSTS, ETC.

Enter in Column B, only the income or loss from **property located in South Carolina and/or from doing business in South Carolina**. Indicate losses in brackets.



Tip

Enter only amounts taxable to South Carolina in Column B.



Tip

Any gain or loss reported in Column B must be supported by the appropriate federal schedules showing location of business or property.

Line 12 FARM INCOME OR (LOSS)

Enter in Column B only the income or loss incurred from a farm located within South Carolina. Indicate your farm loss in brackets.

NOTE: As of January 1, 2009, a S.C. business must add back any amount paid for services performed by an unauthorized alien if the amount is \$600 or more a year. See line 6 instructions for more information.

Line 13 UNEMPLOYMENT COMPENSATION

Enter in Column B the portion of unemployment compensation paid from South Carolina or received while a resident of South Carolina.

Line 14 TAXABLE AMOUNT OF SOCIAL SECURITY BENEFITS

Social Security and railroad retirement are not taxed by South Carolina. Do not enter any of these amounts in Column B.

Line 15 OTHER INCOME

Enter in Column B any other income for which there is no line provided on the return. Other income includes prizes, awards, gambling winnings, director's fees, etc. earned while a resident of South Carolina or from sources within South Carolina.

Net operating losses may be claimed on line 15 by inserting "NOL" in the margin and entering the loss in Column B. **Attach a schedule detailing the loss. Carryback of NOL is not allowed.**

Line 16 TOTAL INCOME

Total each column of figures from A and B, lines 1 through 15. Enter the amounts in the appropriate columns on line 16. Note: **Subtract items in brackets.**

ADJUSTMENTS TO INCOME

This section involves federal adjustments to gross income. Enter amounts from your federal return in Column A. Enter the portion that applies to South Carolina in Column B. The SC adjustments in lines 17-29 cannot exceed 100% of the federal adjustment.

Line 17 EDUCATOR EXPENSES (Subject to SC Conforming to Applicable Internal Revenue Code Sections)

If you qualify for an educator expenses deduction for federal purposes, you are allowed a deduction in Column B. Use the following formula:

$$\frac{\text{SC Total Income (line 16, Column B)}}{\text{Federal Total Income (line 16, Column A)}} \times \text{Federal Educator Expenses} = \text{SC Adjustment in Column B}$$

Line 18 CERTAIN BUSINESS EXPENSES OF RESERVISTS, PERFORMING ARTISTS, AND FEE-BASED GOVERNMENT OFFICIALS

$$\frac{\text{SC Total Income (line 16, Column B)}}{\text{Federal Total Income (line 16, Column A)}} \times \text{Line 18 Column A} = \text{SC Adjustment in Column B}$$

Line 19 HEALTH SAVINGS ACCOUNT

$$\frac{\text{SC Compensation/Earned Income}}{\text{Federal Compensation/Earned income}} \times \text{Line 19 Column A} = \text{SC Adjustment in Column B}$$

Compensation includes wages, salaries, commissions, tips, professional fees, bonuses, and other amounts you received for providing personal services including self-employment income.

Line 20 MOVING EXPENSES

If you had allowable moving expenses on your federal Form 1040 and if **your move was into or within South Carolina, you are allowed a full moving expense adjustment in Column B.** If you moved out of South Carolina, your expenses are not deductible.

Lines 21 through 23

If you have self-employment income derived from other states as well as South Carolina, use the following formula to prorate the federal adjustment reported in Column A in order to determine the South Carolina adjustment in Column B.

$$\frac{\text{SC self-employment income}}{\text{Total self-employment income}} \times \text{Federal Adjustment Column A} = \text{SC Adjustment in Column B}$$

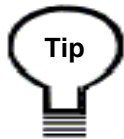
Line 24 PENALTY ON EARLY WITHDRAWAL OF SAVINGS

Enter in Column B any penalty for early withdrawal of savings taxable to South Carolina.

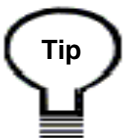
Line 25 ALIMONY PAID

If you paid alimony which qualified as an adjustment for federal tax purposes, you may take an adjustment in Column B. Use the following formula:

$$\frac{\text{SC Total Income (line 16, Column B)}}{\text{Federal Total Income (line 16, Column A)}} \times \text{Line 25 Column A} = \text{SC Adjustment in Column B}$$



South Carolina does not allow carryback of net operating loss.



Moving Expenses are deductible only if you moved into or within South Carolina.

Line 26 IRA DEDUCTION

To compute the IRA adjustment for Column B you must use the percent that your South Carolina compensation bears to your federal compensation. Use the formula below:

$$\frac{\text{SC Compensation/Earned Income}}{\text{Federal Compensation/Earned income}} \times \text{Line 26 Column A} = \text{SC Adjustment in Column B}$$

Compensation is defined in the instructions to line 19.

Line 27 STUDENT LOAN INTEREST DEDUCTION

If you qualify for a student loan interest deduction for federal purposes, you are allowed a deduction in Column B. Use the following formula:

$$\frac{\text{SC Total Income (line 16, Column B)}}{\text{Federal Total Income (line 16, Column A)}} \times \text{Line 27 Column A} = \text{SC Adjustment in Column B}$$

Line 28 TUITION AND FEES DEDUCTION (Subject to SC Conforming to Applicable Internal Revenue Code Sections)

If you qualify for tuition and fees deduction for federal purposes, you are allowed a deduction in Column B. Use the following formula:

$$\frac{\text{SC Total Income (line 16, Column B)}}{\text{Federal Total Income (line 16, Column A)}} \times \text{Federal Tuition and Fees Deduction} = \text{SC Adjustment in Column B}$$

Line 29 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION

Domestic Production Activities are not deductible under South Carolina Law. Enter the amount from your federal form in Column A. Do not enter an amount in Column B.

Line 30 OTHER ADJUSTMENTS TO INCOME

Enter in Column B any federal adjustment to income for which there is no line provided.

Line 32 ADJUSTED GROSS INCOME

To determine your federal adjusted gross income, subtract the figure on line 31, Column A, from the amount on line 16, Column A. Enter this figure on line 32, Column A. This amount should be the same as the adjusted gross income amount on your federal tax return.

To determine your South Carolina adjusted gross income, subtract the amount on line 31, Column B, from the amount on line 16, Column B. Enter this figure on line 32, Column B.

SOUTH CAROLINA ADJUSTMENTS

ADDITIONS

Line 33 SOUTH CAROLINA ADDITIONS TO INCOME

Attach an explanation of your entry for this line. Taxpayers that claim bonus depreciation under federal law must add back the difference between the bonus depreciation taken and the depreciation which would have been allowed without bonus depreciation. A charitable contribution deduction under IRC Section 170 for a gift of land must be added back unless the contribution also meets the requirements of S.C. Code Section 12-6-5590. Withdrawals from Catastrophe Savings Accounts are taxable in the amount by which they exceed qualified catastrophe expenses.

SUBTRACTIONS

Line 34 NET CAPITAL GAIN DEDUCTION

Net capital gains which have been held for a period of more than one year and have been included in the SC taxable income are reduced by 44% for SC income tax purposes.

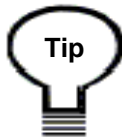
The term "net capital gain" means the **excess** of the **net long-term** capital gain for the taxable year **over** the **net short-term** capital loss for such year. Income received from installment sales as well as capital gain distribution qualifies for this deduction **provided the more than one year holding period has been met**. Multiply the net gain which meets the above guidelines by 44% (.44) and enter the results on this line.

Example: Taxpayer's gain on stock (held since 1980) is \$10,000. Also reported is a short term (ST) loss on stock held for six months of \$5,000 and a long term (LT) loss on stock which amounts to \$3,000.

SC Net LT Capital Gain (more than one year)	\$ 7,000	(10,000 gain-3,000 loss)
- SC Net ST Capital Loss	- 5,000	(one year or less)
<u>SC Net Capital Gain</u>	<u>\$2,000</u>	
<u>X Net LT Capital Gain Deduction</u>	<u>X 44%</u>	
Amount to be deducted	\$880	

Line 35 RETIREMENT DEDUCTION FOR SOUTH CAROLINA RESIDENTS

South Carolina taxes retirement received during the time you were a resident of this state.



South Carolina Capital Gains holding period is the same as the federal holding period (generally more than one year).

Up to \$3,000 of qualified taxable retirement income is deductible for resident taxpayers under age 65. Up to \$10,000 of qualified taxable retirement income is deductible for resident taxpayers age 65 and older.

Line 35a applies to the taxpayer whose name appears first on the return. Line 35b applies to the spouse whose name appears second on the return.

To claim the deduction on line 35c, a surviving spouse must receive the deceased spouse's qualified taxable retirement income as a surviving spouse. The surviving spouse retirement deduction is in addition to the **individual** retirement deduction. Enter the date of birth of the deceased spouse.



Provide date of birth for taxpayers claiming the retirement deduction.

Worksheet for Taxpayer line 35a:

1. Maximum deduction allowed for taxpayer based on age (\$3,000 or \$10,000) 1. _____
2. Taxpayer's individual qualified retirement income included in federal Form 1040, lines 15b and 16b, or 1040A, lines 11b and 12b 2. _____
3. Amount on line 1 or 2, whichever is smaller. Enter on line 35a. 3. _____

Worksheet for Spouse line 35b:

1. Maximum deduction allowed for spouse based on age (\$3,000 or \$10,000) 1. _____
2. Spouse's individual qualified retirement income included in federal Form 1040, lines 15b and 16b, or 1040A, lines 11b and 12b 2. _____
3. Amount on line 1 or 2, whichever is smaller. Enter on line 35b. 3. _____

Worksheet for Surviving Spouse line 35c:

NOTE: Calculate separately for each deceased spouse and include total on line 35c.

1. Maximum deduction allowed for surviving spouse based on age of deceased spouse had he/she lived (\$3,000 or \$10,000 per deceased spouse) 1. _____
2. Qualified retirement income received as surviving spouse included in federal Form 1040, lines 15b and 16b, or 1040A, lines 11b and 12b 2. _____
3. Amount on line 1 or 2, whichever is smaller. Enter on line 35c. 3. _____

Line 36 AGE 65 AND OLDER DEDUCTION FOR SOUTH CAROLINA RESIDENTS

You must have been a resident for at least part of the year in order to claim this deduction. A **resident** taxpayer age 65 or older is entitled to a deduction of \$15,000 against **any** SC income. Line 36a applies to the taxpayer whose name appears first on the return. Line 36b applies to the spouse whose name appears second on the return. The amount of the deduction on 36a is **reduced by any individual** retirement deduction claimed on line 35a. The amount of the deduction on 36b is reduced by any individual retirement deduction claimed on line 35b. The age 65 and over deduction is **not reduced by any surviving spouse** retirement deduction claimed on line 35c.



Provide date of birth for taxpayers age 65 and older.

This deduction can only be claimed if the taxpayer was a resident of South Carolina for part of the tax year.

Worksheet for Taxpayer for line 36a:

1. Maximum deduction allowed for taxpayer 1. **\$15,000.00**
2. Amount claimed on **line 35a** for the taxpayer who is age 65 or older 2. _____
3. Subtract line 2 from line 1. Enter this amount on line 36a. **Do not enter an amount less than zero.** 3. _____

Worksheet for Spouse line 36b:

1. Maximum deduction allowed for spouse 1. **\$15,000.00**
2. Amount claimed on **line 35b** for the spouse who is age 65 or older 2. _____
3. Subtract line 2 from line 1. Enter this amount on line 36b. **Do not enter an amount less than zero.** 3. _____

Line 37 DEPENDENTS UNDER SIX YEARS OF AGE

You must have been a resident for at least part of the year in order to claim this deduction. A deduction is allowed for each dependent claimed on the federal income tax return who had not reached the age of six years by December 31, 2008. Furnish the date of birth and Social Security Number(s) in the available blanks. If additional space is needed, attach a separate sheet with the requested information. Use the following worksheet to compute the deduction:

2008 Federal Personal Exemption Amount	3,500
Number of dependents claimed on your 2008 federal return who had not reached age six during 2008	X _____
Allowable deduction, enter this amount on line 37.....	_____



You must have been a resident for part of the year in order to claim the deduction for dependents under 6 years of age.

Line 38 CONTRIBUTIONS TO THE SC TUITION PREPAYMENT PROGRAM OR THE COLLEGE INVESTMENT PROGRAM

You may deduct 100% of any contributions made to the SC Tuition Prepayment Program in 2008. You may deduct 100% of any contribution made to the SC College Investment (Future Scholar) Program made in 2008 and through April 15, 2009.

Line 39 ACTIVE TRADE OR BUSINESS INCOME DEDUCTION

Enter the amount from I-335, Line 5.

Line 40 OTHER SUBTRACTIONS

Enter on line 40, Column B, any other deductions for which there is no line provided. Other deductions include Reserve or National Guard income received for weekend drills and customary training periods (generally the customary training period is one weekend a month and two weeks of active duty); subsistence allowances for law enforcement officers and full-time firefighters and emergency medical service personnel; volunteer firefighters, rescue squad members, HAZMAT members, reserve police officers, DNR deputy enforcement officers, or State Guard members; special needs child adoption deductions; deduction for purchase of economic impact zone stock; and a deduction for amounts contributed to and interest income earned by a Catastrophe Savings Account. These deductions are allowable only if the corresponding income is reported in Column B. **See SC1040 instructions for a detailed explanation of these deductions.**

Line 42 TOTAL SOUTH CAROLINA ADJUSTMENTS

Subtract line 41 from line 33. For example, if line 33 is -0- and line 41 is \$3,000, enter (\$3,000) as a negative entry on line 42.

Line 44 PRORATION

Divide the amount on line 32, Column B, by the amount on line 32, Column A. Enter the result on line 44. You may round to the second decimal.

Line 45 DEDUCTIONS ADJUSTMENT

If not itemizing, enter the standard deduction from federal Form 1040, line 40; 1040A, line 24; or 1040EZ line 5.

If you itemized deductions on your federal return:

(Keep this worksheet for your records)

Part I Itemized deductions from line 40 of your federal Form 1040. 1. _____

Part II If you deducted state and local income taxes or general sales taxes while itemizing on your 2008 federal income tax return, you must subtract all or part of this amount. Use the following worksheet to figure the adjustment:

Worksheet A State Tax Adjustment

1. Itemized deductions from 2008 federal Form 1040, line 40 1. _____
2. Enter allowable federal standard deduction you would have been allowed if you had not itemized. **(Enter zero if married filing separate [MFS] returns -- See federal instructions)** 2. _____
3. Subtract line 2 from line 1. (Enter zero if line 2 is greater than line 1.) 3. _____
4. Enter the amount of state and local income taxes (or general sales taxes) from line 5 of Schedule A. If your federal itemized deductions were limited due to your adjusted gross income being more than \$159,950 (\$79,975 married filing separate), go to Worksheet B. 4. _____
5. The lesser of line 3 or line 4. Enter this amount on line 45, Part II of Schedule NR. 5. _____

Worksheet B State Tax Adjustment. Complete when federal adjusted gross income is more than \$159,950 (\$79,975 married filing separate) and federal itemized deductions are limited:

1. State and local income taxes from line 5a or general sales taxes from line 5b of federal Schedule A. 1. _____
2. Enter the amount from line 3 of the itemized deductions worksheet in the instruction booklet for federal Form 1040. 2. _____
3. Divide line 1 by line 2, and enter the result here. 3. _____
4. Enter the amount from line 11 of the itemized deductions worksheet in the instruction booklet for federal Form 1040. 4. _____
5. Multiply line 3 by line 4 and enter the result here. 5. _____
6. Subtract line 5 from line 1. Enter this amount on line 4 of Worksheet A. 6. _____



Attach a complete copy of your federal return when filing SC1040 with Schedule NR.

Part III Total amounts of other expenses which were included in the federal itemized deductions. Other expenses include:

- Expenses deducted on the federal return related to any income that is exempt or not taxed by South Carolina. Some examples are investment interest to out-of-state partnerships and interest paid to purchase United States obligations.
- Miscellaneous federal estate tax deduction on income of decedent.
Enter the total amount of other expense. III. _____

Part IV Total Deductions Adjustment. Subtract state income taxes (Part II, Worksheet A, line 5) and other expenses (Part III) from itemized deductions (Part I).
Enter here and on line 45. IV. _____

Line 46 FEDERAL PERSONAL EXEMPTIONS

Enter the amount of your federal personal exemptions from line 42 of federal Form 1040; or line 26, 1040A.

Line 49 SC TAXABLE INCOME

This amount should be entered on line 5 of SC1040. If less than zero, enter zero.



Do not enter an amount less than zero on line 5 of the SC1040.

Important: Check the Schedule NR box on the front of SC1040. Schedule NR must be attached to a completed SC1040. Do not submit Schedule NR separately. Your return cannot be processed if Schedule NR is submitted separately.

Social Security Privacy Act Disclosure

It is mandatory that you provide your social security number on this tax form. 42 U.S.C 405(c)(2)(C)(i) permits a state to use an individual's social security number as means of identification in administration of any tax. SC Regulation 117-201 mandates that any person required to make a return to the SC Department of Revenue shall provide identifying numbers, as prescribed, for securing proper identification. Your social security number is used for identification purposes.

COMPOSITE FILING FOR S CORPORATIONS AND PARTNERSHIPS

A composite return is a single nonresident individual income tax return (Schedule NR attached to SC1040) filed by an S corporation or partnership that computes and reports the income and tax of its nonresident shareholders or partners. The return is due on or before the 15th day of the 4th month following the shareholder's or partner's taxable year end. Any tax due is paid along with filing the return. The S corporation or partnership does not need to withhold on behalf of any shareholder or partner participating in a composite return. Shareholders and partners participating in a composite return do not need to pay estimated tax.

The heading of the composite return states the name, address and federal EIN of the S corporation or partnership. There is no need to use "Composite Return for" or "Shareholders/Partners of" in the name. Mark the box for filing a composite return. Mark "Single" filing status and one exemption on the face of SC1040.

Two methods are available for calculating tax on a composite return: (1) Compute each participating shareholder's or partner's income tax separately as if the shareholder or partner were separately reporting income on a nonresident return; OR (2) compute each participating individual's entire share of SC income for the S corporation or partnership without considering deductions and exemptions. Under either method, add the individual liabilities together to arrive at a total tax. Attach a schedule showing the separate computations. Total the separate tax amounts and enter on the "tax" line of SC1040, page 1.

NEW: For tax years beginning after 2005, a partner or shareholder that participates in a composite return will not receive the benefit of any federal deductions and will owe tax at a rate of 7% on any income that does not qualify as active trade or business income (I-335), unless the partner or shareholder completes an I-338 composite return affidavit stating that he has no other income taxable to S.C.

In order to extend the time allowed for filing a composite return, file SC4868 using the name and EIN of the S corporation or partnership. Do not use the SC1120T or SC8736 to extend the composite return. The tax due must be estimated and paid along with filing the extension on or before the 15th day of the 4th month following the end of the shareholder's or partner's taxable year.

For taxable years after 2004, nonresident shareholders and partners may participate in composite returns even if they have other sources of income taxable to South Carolina. Disregard the other sources of income taxable to South Carolina when preparing the composite return.

For more detailed information, see Revenue Procedure 92-5 on our website: www.sctax.org

NOTE: We are unable to process your return if filed without a social security number or individual taxpayer identification number (ITIN).

RECORD KEEPING

Keep a complete copy of your return, including attachments. Do not mail your only copy of any tax document.