

IMPORTANT NOTICE

Effective June 1, 2007

File Number:

TO: All Registrants for Sales or Use Tax in South Carolina
FROM: South Carolina Department of Revenue
RE: 6% Sales and Use Tax Rate Increase in June 2007

This notice is to advise that South Carolina's Sales and Use tax rate will increase from 5% to 6% effective June 1, 2007. The revenue from this one percent sales and use tax increase will be credited to the Homestead Exemption Fund under SC Code Section 11-11-155 for the purpose of reducing property tax.

The State rate increase will **not** apply to:

1. The 7% sales tax imposed on sleeping accommodations under SC Code Section 12-36-920(A). However, the sales tax imposed on additional guest charges at places providing sleeping accommodations under SC Code Section 12-36-920(B), and all other sales of tangible personal property at a place providing sleeping accommodations, will increase from 5% to 6% effective June 1, 2007.
2. The 5% sales and use tax imposed on items subject to the maximum sales and use tax provisions under SC Code Section 12-36-2110.
3. The 3% sales and use tax imposed under SC Code Section 12-36-910 on sales of unprepared food which lawfully may be purchased with United States Department of Agriculture food stamps.

The sales tax booklets mailed in January 2007 included returns that reflect the 6% rate for periods beginning June 2007. Please begin using the updated forms reflecting the rate of 6% for the June 2007 period and after.

ADDITIONAL INFORMATION

Accommodations Tax:

The sales tax rate increase does not affect transactions subject to the 7% accommodations tax. However, the sales tax imposed on additional guest charges at places providing sleeping accommodations, and all other sales of tangible personal property at a place providing sleeping accommodations will increase from 5% to 6% effective June 1, 2007.

The form ST-388, State Sales, Use and Accommodations Tax Return, has been revised in order for accommodations retailers to properly report the 6% rate on additional guest charges and all other sales of tangible personal property. Accommodations taxpayers will receive the new form ST-388 and new instructions in June 2007.

Maximum Tax:

The maximum tax (\$300) applies to the sale or lease of motor vehicles, airplanes, boats, motorcycles, trailers or semi-trailers pulled by truck tractors, fire safety education trailers, horse trailers, recreational vehicles and self-propelled light construction equipment. For a lease to qualify for the maximum tax, the lease must be in writing and must state a term of, and remain in force for, a period in excess of 90 continuous days. The \$300 maximum tax also applies to the sale of musical instruments, office equipment to religious organizations, and certain energy efficient manufactured homes. See Code Section 12-36-2120(B) for maximum tax information on manufactured homes that do not meet the energy efficient standards.

In order for those retailers that make sales subject to the maximum tax to properly report the 6% tax, the Department of Revenue has created a new form. The form is the ST-455 - State Sales, Use, Maximum Tax and Special Filers Tax Return. These retailers will receive additional information about this return in June 2007.

Note: Sales of trailers that can be pulled by vehicles other than truck tractors, and sales of pole trailers, are not exempt from the local option sales and use taxes.

Food Tax:

Unprepared foods which lawfully may be purchased with United States Department of Agriculture ("USDA") food coupons are subject to the state sales and use tax at a rate of three percent. Food actually purchased with USDA food coupons will continue to be exempt from the tax.

The term "unprepared" food does **not** include (1) meals and food sold by a restaurant, cafeteria, lunch wagon, or other similar places or businesses engaged in the business of selling prepared meals or food for immediate consumption; (2) meals prepared and delivered by a meal delivery service; (3) meals sold to or at congregate meal sites; or (4) meals and food sold at a grocery store, convenience store or any other similar store for the purpose of eating at or near the store, such as meals and food sold with eating utensils (e.g., plates, knives, forks, spoons, cups, napkins) provided by the seller. These meals and foods are considered "prepared meals or food" and are **not** eligible for the lower sales tax rate and are subject to the state sales and use tax at the state rate of 5% (6% effective June 1, 2007).

The following are examples of foods eligible and not eligible for the lower state sales tax rate. Foods eligible for the lower state sales tax rate include:

- Any food intended to be eaten at home by people, including snacks, beverages and seasonings
- Seeds and plants intended to grow food (not birdseed or seeds to grow flowers)
- Cold items, which may include salads or sandwiches, intended to be eaten at home by people and that are not considered "prepared meals or food" as discussed above

Items which are **not** eligible for the lower sales tax rate and are, therefore, subject to the state sales and use tax at the state rate of 5% (6% effective June 1, 2007) are:

- Alcoholic beverages, such as beer, wine, or liquor
- Hot beverages ready-to-drink such as coffee
- Tobacco
- Hot foods ready to eat
- Foods designed to be heated in the store
- Hot and cold food to be eaten at a lunch counter, in a dining area or anywhere else in the store or in a nearby area such as a mall food court or that are considered "prepared meals or food" as discussed above
- Vitamins and medicines (Note: Medicines sold by prescription are exempt from the state sales and use tax.)
- Pet food
- Any nonfood items such as tissue, soap or other household goods

Food eligible for the reduced state rate purchased in counties or other jurisdictions that imposed a local sales and use tax administered and collected on their behalf by the Department of Revenue are still subject to the local rate on such food unless specifically exempted by law. At this time, only the 1% school district taxes imposed in Cherokee, Chesterfield, Darlington, Jasper, Lee and Lexington counties exempt food eligible to be purchased with USDA food coupons.

Sales of unprepared foods subject to the 3% tax are reported on page 2, Section 5 of the ST-389, Schedule for Local Taxes and Unprepared Food. Please use this section only to report your taxable information for the 3% Unprepared Food tax. **The food tax is reported statewide; it is not necessary to separate this tax by municipality.**

If you have questions concerning reporting of sales, please call one of the following Taxpayer Service Centers:

Columbia Main Office	803-898-5788	Greenville Service Center	864-241-1200
Charleston Service Center	843-852-3600	Myrtle Beach Service Center	843-839-2960
Florence Service Center	843-661-4850	Rock Hill Service Center	803-324-7641