



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
**SOUTH CAROLINA WITHHOLDING TAX
INFORMATION GUIDE**

FORM 105

(Rev. 9/4/03)

8004

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 employers/withholding agents to become familiar with South Carolina income tax withholding requirements.

WHO MUST WITHHOLD

Every employer/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.

It is important to remember that South Carolina state taxes are withheld when wages are earned while working in South Carolina. An employee who works in another state but is a resident of South Carolina will have taxes withheld for the other state unless that state does not have an income tax. In that case, South Carolina taxes should be withheld since it is the employee's state of legal residence.

In addition to withholding from wages, South Carolina requires withholding from royalties, prizes, winnings, nonresident contractors (contracts exceeding \$10,000), 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 South Carolina Department of Revenue if employee claims 10 or more exemptions. Withhold at the rate of zero exemptions if no exemption certificate is provided.

WITHHOLDING APPLICATION

The employer/withholding agent may apply on-line to obtain a South Carolina withholding number by simply clicking on DOR BOS at www.sctax.org and follow instructions. Your withholding number will be available on-line after two business days. Another method for obtaining a South Carolina withholding number is to complete and return 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, Rock Hill, Florence, or Charleston.

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

Employers/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.

Employers/withholding agents (**resident and nonresident**) whose South Carolina withholding tax exceeds \$15,000 during a quarter are identified and should pay by electronic funds transfer (EFT) by their due date. Any employer/withholding agent with less than \$15,000 per quarter may voluntarily participate in EFT. For more information call 1-800-476-0311.

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** employers/withholding agents (except EFT payors) are to deposit state withheld taxes with their local financial institutions (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 (WH-1601) must be mailed to the South Carolina Department of Revenue.

A **nonresident** employer/withholding agent whose accumulated South Carolina withheld tax is less than \$500 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 using form WH-1605 or WH-1606. If the accumulated amount withheld is \$500 or more by the end of a month, the tax withheld must be remitted by the 15th day of the following month using form WH-1601.

ENTERPRISE ZONE ACT/RURAL DEVELOPMENT ACT CREDITS

Employers/withholding agents (who have qualified and been approved by the South Carolina Coordinating Council) 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. For more information call 803-898-5383.



ePAY - Pay the Easy Way! Submit payments directly to the SC Department of Revenue via DOR ePAY. (www.sctax.org) Pay by credit card or by Electronic Funds Withdrawal (bank draft).



FORMS TO BE FILED

Form WH-1601 - South Carolina Withholding Tax Payment Coupon

Coupon to be used for making timely deposit to the financial institution or payment to the South Carolina Department of Revenue by due date. **Do not** use if paying electronically.

WH-1605 - Withholding Tax Return (Quarterly)

Return used to file quarterly reconciliation and pay balance of tax due, if any. This return can be TeleFiled if zero payment or a refund is due or it can be mailed to the South Carolina Department of Revenue at the address on the return.

WH-1606 - Fourth Quarter/Annual Reconciliation of Income Tax Withheld

Return used for the fourth quarter/annual reconciliation. If WH-1606 is filed by TeleFile, use WH-1612 to transmit the SC W-2's and 1099's.

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 reconciliations - Quarterly (WH-1605) and Fourth Quarter/Annual (WH-1606).

Quarterly - All employers/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 (WH-1605)	April 30
Second Quarter (WH-1605)	July 31
Third Quarter (WH-1605)	October 31
Fourth Quarter/Annual Reconciliation (WH-1606)	End of February



Do It The Easy Way!
If you have zero payment or a refund is due - use Telefile.

Do Not file a WH-1605 for the Fourth Quarter/Annual Reconciliation.

Fourth Quarter/Annual - A fourth quarter/annual reconciliation return must be used to reconcile the withholding account for the fourth quarter and year. If WH-1606 is filed by TeleFile, use WH-1612 to transmit the SC W-2's and 1099's.

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

PENALTIES AND INTEREST

Penalty and Interest can be determined by using the Penalty and Interest calculator found on our website: www.sctax.org

- A. Penalty applied for failure to file return by the due date: 5% of tax due per month, or part of a month, not to exceed 25%.
- B. Failure to timely pay tax due:
 - 1. 1/2% per month (or portion of month) up to maximum of 25%
- C. Failure to timely deposit:
 - 1. \$10 to \$1,000

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.

WITHHOLDING TAX TABLES

Utilize the withholding tax tables furnished to you or visit our website to determine correct amounts to withhold from wages.

TAXPAYER SERVICE CENTERS

Contact the South Carolina Department of Revenue's Call Center at 803-898-5000 or visit our website: www.sctax.org

- MAIN OFFICE:** Columbia Mill Building, 301 Gervais Street, P.O. Box 125, Columbia, SC 29214, 803-898-5000
- Charleston:** Southpark Office Building, 3 Southpark Circle, Suite 202, Charleston, SC 29407, 843-852-3600, FAX: 843-556-1780
- Florence:** 1452 West Evans Street, P.O. Box 5418, Florence, SC 29502, 843-661-4850, FAX: 843-662-4876
- Greenville:** 211 Century Drive, Suite 210-B, Greenville, SC 29607, 864-241-1200, FAX: 864-232-5008
- Myrtle Beach:** 1330 Howard Parkway, Myrtle Beach, SC, 29577-1407
- Rock Hill:** Business and Technology Center, 454 S. Anderson Road, Suite 202, P.O. Box 12099, Rock Hill, SC 29731, 803-324-7641, FAX: 803-324-8289