



STATE OF SOUTH CAROLINA
PARTNERSHIP RETURN
Tax Year 2004

SC1065
 (Rev. 9/2/04)
 3087

Return is due on or before the 15th day of the fourth month following the close of the taxable year.

**Mail to: SC Department of Revenue, Partnership Return,
 Columbia SC 29214-0008**

For the year January 1 - December 31, 2004, or fiscal tax year beginning _____ 2004 and ending _____ 2005

Check all boxes that apply:

Initial Return <input type="checkbox"/>	Final Return <input type="checkbox"/>
Change of Address <input type="checkbox"/>	Forms Not Needed Next Year <input checked="" type="checkbox"/>

FEI #:	▶ SC File #:	County:
Total Number of Partners:	Number of Partners that are Not SC Residents:	

ATTACH A COPY OF FORM 1065 FEDERAL PARTNERSHIP RETURN AND COPIES OF ALL SCHEDULES.

Read the instructions carefully and fill in all applicable lines and schedules.

Location of business property: City _____ State _____ Phone Number _____

Complete Schedule SC-K first.

Schedule W-H Withholding Tax on Income of Nonresident Partners

1. Total from line 24, page 2, SC1065	1.	
2. Line 1 times _____% of income allocated to nonresident partners.	2.	
3. Amount of line 2 exempt from withholding by affidavit, by composite filing or real estate gain subject to buyer withholding or amount withheld upon by another partnership. Attach statement. See instructions . . .	3.	
4. Subtract line 3 from line 2, if less than zero, enter -0-	4.	
5. Withholding tax due - line 4 times .05 (5%)	▶ 5.	
6. Withholding from nonresident sale of real estate (Attach I-290).	▶ 6.	
7. Amount paid with extension SC8736.	▶ 7.	
8. Add lines 6 and 7	8.	
9. Subtract line 8 from line 5. This is the amount due with this return	▶ 9.	BALANCE DUE

The undersigned declares that this return, including the accompanying schedule and statements, has been examined by him (or them) and is to the best of his (or their) knowledge and belief a true and complete return, made in good faith, for the accounting period stated, pursuant to the Code of 2000 and amendments.

14-0832

Please Sign Here	Signature of general partner or LLC/LLP member _____ Date _____		
	I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes <input type="checkbox"/> No <input type="checkbox"/>		
Paid Preparer's Use Only	Preparer Printed Name	Check if self-employed <input type="checkbox"/>	Preparer telephone number _____
	Preparer signature		EI # _____
			Date _____
	Firm's name (or yours if self-employed) and address _____		ZIP Code _____

SCHEDULE SC-K PARTNERS' SHARES OF INCOME (LOSSES), DEDUCTIONS, CREDITS ETC. (See instructions.)

* Enter amounts from corresponding lines on your federal Schedule K in Column A.

	(A)* Amounts From Federal Schedule K	(B) Plus or Minus South Carolina Adjustment	(C) Federal Schedule K Amounts After SC Adjustments	(D) Amounts Allocated to SC	(E) Amounts Subject to Apportionment
1	Ordinary Business Income (loss)				
2	Net Real Estate Rents (loss)				
3	Other Net Rents (loss)				
4	Guaranteed Payments				
5	Interest Income				
6	Dividends				
7	Royalties				
8	Net Short Term Cap. Gain (loss)				
9	Net Long Term Cap. Gain (loss)				
10	Net §1231 gain (loss)				
11	Other Income (loss)				
12	§179 Deduction				
13a	Contributions				
13b	Portfolio Deductions				
13c	Investment Interest Expense				
13d	§59 (e)(2) Expenditures				
13e	Other Deductions				
14	Total				

15. Amounts from federal Schedule K (line 14, Schedule SC-K, Col. A)	15	
16. Amount Allocated to South Carolina (from line 14, Schedule SC-K, Col. D)	16	
17. Net income (loss) subject to apportionment (from line 14, Schedule SC-K, Col. E)	17	
APPORTIONMENT FACTORS FOR MULTISTATE BUSINESS (LINES 18 THROUGH 21-MULTISTATE ONLY)		
18. SALES	TOTALS	SC
Total Gross Receipts		
Sales Percentage		%
Multiply Sale Percentage by 2 (see instructions)		%
19. PROPERTY		
Total Owned and Rented Property		
Property Percentage		%
20. PAYROLL		
Total Wages and Salaries		
Payroll Percentage		%
21. TOTAL PERCENT		%
22. Apportionment factor (average percent). 100% if operating entirely within SC (see instructions) . .	22	%
23. Net business income (loss) apportioned to SC (line 17 multiplied by line 22)	23	
24. Net business income (loss) taxable to SC (line 16 plus line 23)	24	

INSTRUCTIONS FOR SC1065 - SOUTH CAROLINA PARTNERSHIP RETURN (Rev. 9/1/04)

NEW INFORMATION 2004

- South Carolina generally recognizes the Internal Revenue Code as amended through December 31, 2003, except that the increased standard deduction for married taxpayers and the increased limits for the IRC Section 179 expense deduction are only effective for the tax year beginning January 1, 2004.
- Reminder: South Carolina specifically does not recognize IRC Section 168(k) bonus depreciation. Section 12-6-50(4).
- SC8736 is the new partnership/fiduciary extension form.

LIABILITY FOR RETURNS

Every partnership, domestic or foreign, doing business or owning property in South Carolina must file SC1065. Partnership income or loss is computed in the same manner and on the same basis as for an individual. Taxpayers carrying on business in a partnership are liable for income tax in their individual capacities. Each partner's return shall include his distributive share, whether distributed or not, of the net income or loss of the partnership for the taxable year. If a partner and partnership have different taxable years, the partner's return shall include income or loss reported by the partnership during the partner's taxable year.

SC-K INSTRUCTIONS

Schedule SC-K is a worksheet for making South Carolina adjustments to federal Schedule K items and showing the amount of these items that are allocated or apportioned to South Carolina.

COMPUTATION OF INCOME

Enter the amounts from Column A of federal Schedule K, lines 1 through 13e in the same line numbers of Column A of SC-K.

SOUTH CAROLINA ADJUSTMENT

Column B additions and subtractions are the same that apply to individuals. (See SC1040 and Instructions.)

Add any income taxed by South Carolina but not subject to federal income tax, such as interest income received from states other than South Carolina, or their political subdivisions.

Subtract any income not taxed by South Carolina that is subject to federal income tax, such as interest paid by the US government on US savings bonds, treasury bills, etc.

Add any expense deducted on the federal return related to any income exempt or not taxable to South Carolina.

If you claim 30% or 50% federal bonus depreciation, add the difference between the depreciation taken and the depreciation that would have been allowed without bonus depreciation. Depreciation cannot exceed the basis of an asset. When bonus depreciation is taken in a prior taxable year, a SC subtraction exists for all remaining years of depreciation.

If you elect to claim a reduction in basis as a federal investment credit, subtract the unclaimed federal deduction.

A nonresident seller of South Carolina real property who elects out of installment sales treatment must report the entire gain for the taxable year in which the sale took place.

The following may be additions or subtractions depending on how a particular item is reported or deducted on a federal return:

- change in accounting method
- installment method of reporting income
- federal gain or loss due to difference in basis because of state law prior to 1985

ALLOCATION OF INCOME

Allocation and Apportionment statuses are located in the SC Code Sections 12-6-2210 through 12-6-2320.

Dividends, real estate gains, and guaranteed payments are subject to allocation.

- Allocate income (loss) from the sale of real estate to the state where the real estate is located. Allocate rents and royalties received from the lease or rental of real estate or tangible personal property to the state where the property is located. List amounts allocated to South Carolina in column D.
- Allocate interest and dividend income to the state of residence of the partners. List amounts allocated to South Carolina in column D.
- Allocate guaranteed payments to South Carolina for partners who are South Carolina residents or to the state where the services are performed for nonresidents of South Carolina. List amounts allocated to South Carolina in column D.

APPORTIONMENT OF INCOME

The amounts subject to apportionment in Column E are the amounts listed in Column C after subtracting amounts allocated to South Carolina in Column D and amounts allocated to other states.

If the entire trade or business of a partnership is carried on in South Carolina, skip lines 18 through 21 and enter 100% in line 22.

Multi-state partnerships whose principal profits are derived from manufacturing, producing, collecting, buying, assembling, processing, selling, distributing or dealing in tangible personal property, compute the percentages in lines 18 through 20. Note that the sales percentage in line 18 is doubled. Add lines 18 through 20 and enter the total in line 21. Divide line 21 by four and enter the result in line 22. Compute all percentages to four decimal places.

If the sales ratio does not exist, divide line 21 by the number of existing ratios and enter the result on line 22. If the sales ratio exists but one of the other ratios does not, divide line 21 by the number of existing ratios plus one and enter the result on line 22.

If the principal profits or income of a multi-state partnership are derived from sources other than manufacturing, producing, collecting, buying, assembling, processing, selling, distributing or dealing in tangible personal property, compute the sales in line 18, but do not double the amount. Enter this percentage on line 22.

TAX CREDITS

Enter non-refundable tax credits on SC1040TC and attach to this return. Non-refundable credits are distributed to partners in proportion to ownership interest. Attach specific tax credit schedules to your return.

SCHEDULE W-H INSTRUCTIONS (WITHHOLDING FOR NONRESIDENT PARTNERS)

Withhold 5% of the income taxable to South Carolina of partners who are nonresidents of South Carolina.

FILING REQUIREMENTS

File SC1065 along with the amount withheld to the Department of Revenue by the 15th day of the fourth month following the end of the partnership's taxable year. **Within the same deadline, provide each nonresident partner with a federal Form 1099-MISC with "SC only" written at the top, showing the amount of the nonresident partner's withholding.** Along with SC1065 and payment of withholding, file a schedule disclosing the name, address, tax identification number, income taxable to South Carolina, and tax withheld for each nonresident partner. Attach each federal K-1.

Tiered or layered partnerships must withhold only for activities of the partnership within South Carolina. Any related partnership must attach a statement explaining any pass-through withholding and provide a 1099 to each partner. Before filing SC1065, a partnership may request an extension of time by filing SC8736 by the 15th day of the fourth month following the end of the partnership's taxable year. Upon filing SC8736, include withholding of 5% of income taxable to South Carolina of all nonresident partners. An exception exists for partners that provide an I-309 affidavit stating that the taxpayer is subject to the jurisdiction of the SC Department of Revenue and the courts of South Carolina for purposes of determining and collecting tax, interest and penalties. Include all I-309s when filing SC8736. In lieu of SC8736, the Department of Revenue will accept a federal extension. Attach a copy of the federal extension as long as you file the tax return within the extended period. The federal three-month extension is shorter than South Carolina's 120-day extension. The Department of Revenue will honor any second request for a federal extension (six months total). **Failure to timely file may subject the partnership to penalty.**

INFORMATION TO BE FURNISHED TO PARTNERS

Supply a separate federal Schedule K-1 to each partner, reflecting the partner's proportionate share of South Carolina income. You may copy the completed federal K-1 and indicate any differences for SC purposes by including a foot note. Partnerships receiving passive activity income and losses from investments located within and without of South Carolina must furnish partners with detailed accountings of these amounts. Similar information must be furnished to partners who did not materially participate in the trade or business of a partnership engaged in multi-state operations. These partners may have nondeductible passive losses that cannot offset interest and other business-related portfolio income apportioned to South Carolina.

Acceptable Forms of K-1 Information

In a case where a Partnership has a large number of partners, we will accept the K-1 information on a CD or floppy disk in any file format that is compatible with Microsoft Word, Excel or Access. Also, the information will be accepted in microfiche form as well as paper.

FILING REQUIREMENTS FOR PARTNERS

Any partner with income or loss must file a tax return regardless of tax liability. Partners' returns must be extended separately.

COMPOSITE FILING FOR S CORPORATIONS AND PARTNERSHIPS

A composite return is one nonresident individual income tax return (Form SC1040 Schedule NR) filed by an S Corporation or partnership which computes and reports the income and tax of its nonresident shareholders or partners. Nonresident shareholders or partners having South Carolina taxable income from sources other than the S Corporation or partnership may not participate in this filing. The return is due on or before the fifteenth day of the fourth month following the shareholder's or partner's taxable year end and any tax due is paid along with filing the return.

The heading of the composite return (SC1040) 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. Filing status "Single" should be marked with one exemption. Each participating nonresident shareholder's or partner's separate income tax is computed in the same manner as if the shareholder or partner were separately reporting income on a Form SC1040 Schedule NR OR the S Corporation or partnership may choose to report each participating individual's entire share of SC income without regard to the proration of deductions and exemptions. A schedule should be attached showing the separate computations. The separate tax amounts are totaled and entered on the "tax" line of page 1, Form SC1040. The tax due in connection with this return is subject to declaration of estimated tax rules. See Form SC1040ES and instructions. The return must be signed by an officer of the corporation or a general partner of the partnership.

In order to extend a Composite Income Tax Return, an SC4868 should be filed using the partnership's or S Corporation's name and EIN. Mark the composite box. Do not use the SC1120T to extend the composite return. The tax due must be estimated and paid along with filing the extension on or before the fifteenth day of the fourth month following the shareholder's or partner's taxable year end.

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

Legislation pending the governor's signature would allow shareholders or partners with other sources of SC income to participate in a composite return. Check our website (www.sctax.org) for more information.

REMINDERS

- Any Partnership that pays withholding on income of nonresident partners is required by SC Code Section 12-8-1540 to provide each with a federal Form 1099-MISC with "SC only" written at the top and showing the respective amounts of income tax withheld.
- An amended SC1065 must be filed whenever the Internal Revenue Service adjusts a federal 1065 return.
- Every Partnership is now assigned a South Carolina file number by the Department of Revenue. Use this number along with your federal identification number for filing returns or corresponding with this office. If you are filing an initial partnership return or otherwise do not know your file number, it is important that you include your federal identification number on your return. New partnerships will be assigned a file number after the initial return is filed.
- Refunds cannot be issued from the SC1065. An overpayment must be claimed and refunded at the partner level.