

SCHEDULE NR INSTRUCTIONS 2004 (Rev. 11/9/04)

**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.

Line 1 WAGES, SALARIES, TIPS

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

Lines 2 and 3 INTEREST INCOME AND DIVIDEND INCOME

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 STATE AND LOCAL INCOME TAX REFUNDS

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

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 South Carolina. Indicate business losses in brackets.

Lines 7 and 8 CAPITAL GAIN OR (LOSS)

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.

Line 9 IRA DISTRIBUTIONS

Report on line 9, Column B, IRA distributions received while a resident of South Carolina.

Line 10 PENSIONS AND ANNUITIES

Report on line 10, Column B, taxable pensions and annuities received while a resident of South Carolina.

Line 11 RENTS, ROYALTIES, PARTNERSHIPS, ESTATES AND TRUSTS

Enter on line 11, 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.

Line 12 FARM INCOME OR (LOSS)

Enter on line 12, Column B, only the income or loss **incurred** from a farm located within South Carolina. Indicate your farm loss in brackets.

Line 13 UNEMPLOYMENT COMPENSATION

Part-year residents report on line 13, Column B, the portion of unemployment compensation received while a resident of South Carolina.



Enter only amounts taxable to South Carolina in Column B.



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



South Carolina does not allow carryback of net operating loss.

Line 14 SOCIAL SECURITY AND TIER I RAILROAD RETIREMENT BENEFITS

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

Line 15 OTHER INCOME

Enter on line 15, 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.

Line 17 EDUCATOR EXPENSES DEDUCTION

Educator expenses 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 18 CERTAIN BUSINESS EXPENSES OF RESERVISTS, PERFORMING ARTISTS, AND FEE-BASE 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 IRA DEDUCTION

You are allowed in Column B an adjustment based on your South Carolina compensation for the amount you paid into an Individual Retirement Account (**IRA**), provided you qualify for the deduction for federal tax purposes. Compensation includes wages, salaries, commissions, tips, professional fees, bonuses, and other amounts you received for providing personal services including self-employment income. 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:

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

Line 20 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:

$$\frac{\text{SC Total Income (line 16, Column B)}}{\text{Federal Total Income (line 16, Column A)}} \times \text{Line 20 Column A} = \text{SC Adjustment in Column B}$$

Line 21 TUITION AND FEES DEDUCTIONS

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

$$\frac{\text{SC Total Income (line 16, Column B)}}{\text{Federal Total Income (line 16, Column A)}} \times \text{Line 21 Column A} = \text{SC Adjustment in Column B}$$

Line 22 HEALTH SAVINGS ACCOUNT DEDUCTION

You are allowed in Column B an adjustment based on your South Carolina compensation for the amount paid into a medical savings account, provided you qualify for the deduction for federal tax purposes. Compensation is defined in line 19. To compute the adjustment for Column B, you must use the percent that your South Carolina compensation or earned income bears to your federal compensation or earned income. Use the formula below:

$$\frac{\text{SC Compensation/Earned Income}}{\text{Federal Compensation/Earned income}} \times \text{Line 22 Column A} = \text{SC Adjustment in Column B}$$



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

Line 23 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 24 through 26

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 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 27 PENALTY ON EARLY WITHDRAWAL OF SAVINGS

Enter any penalty for early withdrawal of savings taxable to South Carolina on line 27 Column B.

Line 28 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:

$$\frac{\text{SC Total Income (line 16, Col. B)}}{\text{Federal Total Income (line 16, Col. A)}} \times \text{Line 28 Column A} = \text{SC Adjustment in Column B}$$

Line 30 ADJUSTED GROSS INCOME

To determine your federal adjusted gross income, subtract the figure on line 29, Column A, from the amount on line 16, Column A. Enter this figure on line 30, 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 29, Column B, from the amount on line 16, Column B. Enter this figure on line 30, Column B.

SOUTH CAROLINA ADJUSTMENTS

ADDITIONS

Line 32 SOUTH CAROLINA ADDITIONS TO INCOME

Attach an explanation of your entry for this line. Taxpayers that claim 50% 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.

SUBTRACTIONS

Line 33 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 line 33 of Schedule NR.

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)
SC Net Capital Gain	\$2,000	
<u>X Net LT Capital Gain Deduction</u>	<u>X44%</u>	
Amount to be deducted	\$880.00	

Line 34 RETIREMENT DEDUCTION FOR SOUTH CAROLINA RESIDENTS

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

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

Line 34a applies to the taxpayer whose name appears first on the return. Line 34b applies to the spouse whose name appears second on the return.



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



Provide date of birth for taxpayers claiming the retirement deduction.

To claim the deduction on line 34c, 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.

Worksheet for Taxpayer line 34a:

- 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 34a. 3. _____

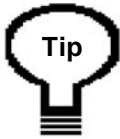
Worksheet for Spouse line 34b:

- 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 34b. 3. _____

Worksheet for Surviving Spouse line 34c:

NOTE: Calculate separately for each deceased spouse and include total on line 34c.

- 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 34c. 3. _____



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.

Line 35 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 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. The amount of the deduction on 35a is **reduced by any individual** retirement deduction claimed on line 34a. The amount of the deduction on 35b is reduced by any individual retirement deduction claimed on line 34b. The age 65 and over deduction is **not reduced by any surviving spouse** retirement deduction claimed on line 34c.

Worksheet for Taxpayer for line 35a:

- 1. Maximum deduction allowed for taxpayer 1. **\$15,000.00**
- 2. Amount claimed on **line 34a** for the taxpayer who is age 65 or older 2. _____
- 3. Subtract line 2 from line 1. Enter this amount on line 35a. **Do not enter an amount less than zero.** 3. _____

Worksheet for Spouse line 35b:

- 1. Maximum deduction allowed for spouse 1. **\$15,000.00**
- 2. Amount claimed on **line 34b** for the spouse who is age 65 or older 2. _____
- 3. Subtract line 2 from line 1. Enter this amount on line 35b. **Do not enter an amount less than zero.** 3. _____



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 36 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, 2004. 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:

2004 Federal Personal Exemption Amount	3,100
Number of dependents claimed on your 2004 federal return who had not reached age six during 2004	<u> x </u>
Allowable deduction, enter this amount on line 36.....	_____

Line 37 CONTRIBUTIONS TO THE SC TUITION PREPAYMENT PROGRAM OR COLLEGE INVESTMENT PROGRAM

You may deduct 100% of any contributions made to the SC Tuition Prepayment Program in 2004. You may deduct 100% of any contribution made to the SC College Investment (Future Scholar) Program made in 2004 and through April 15, 2005.



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

Line 38 OTHER SUBTRACTIONS

Enter on line 38, 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, and DNR deputy enforcement officers; special needs child adoption deductions; and a deduction for purchase of economic impact zone stock. 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 PRORATION

Divide the amount on line 31, Column B, by the amount on line 31, Column A. Enter the result on line 42. You may round to the second decimal.

Line 43 DEDUCTIONS ADJUSTMENT

If not itemizing, enter the standard deduction from federal Form 1040, line 39; 1040A, line 24; 1040EZ, line 5; line K-1 from federal Telefile.

If you itemized deductions on your federal return:

(Keep this worksheet for your records)

Part I Itemized deductions from line 39 of your federal Form 1040. I. _____

Part II If you deducted state and local income taxes or general sales taxes while itemizing on your 2004 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 2004 federal Form 1040, line 39 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 from line 5a or general sales taxes from line 5b of Schedule A. If your federal itemized deductions were limited due to your adjusted gross income being more than \$142,700 (\$71,350 married filing separate), go to Worksheet B. 4. _____
5. The lesser of line 3 or line 4. Enter this amount on line 43, Part II of Schedule NR. 5. _____

Worksheet B State Tax Adjustment. Complete when federal adjusted gross income is more than \$142,700 (\$71,350 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 9 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. _____

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 43. IV. _____



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

Line 44 FEDERAL PERSONAL EXEMPTIONS

Enter the amount of your federal personal exemptions from line 41 of federal Form 1040; or line 26, 1040A.

Line 47 SC TAXABLE INCOME

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

**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.**

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. 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 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

REMINDERS**USE YOUR LABELS**

Use the label provided only if it is correct.

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

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.