

STEP-BY-STEP INSTRUCTIONS FOR ST-3/ST-389

(Rev. 9/5/08)

Please read this section before completing your form.



All entries must be typed or hand printed, clearly and legibly. If using a **non-preprinted form**, see the introduction section under **Essential Information** for instructions.

If you have a retail license or a use tax registration, you are **required to file** a tax return **even** if there is **NO TAX DUE** for the period. For zero returns, see Business Tax Telefile instructions.

WHEN FILING "NO SALES" RETURNS, please enter **zeroes** on lines 1 and 3 only on the ST-3.

COMPLETE THE SALES AND USE TAX WORKSHEET ON THE BACK OF THE ST-3 BEFORE MAKING ENTRIES ON LINES 1 THROUGH 8.

IMPORTANT: If it is determined that no entry is needed on a line (other than lines 1 and 3), PLEASE LEAVE LINE BLANK. Do not write on the lines that do not pertain to you.

STEP 1

COMPLETING THE SALES AND USE TAX WORKSHEET

SALES AND USE TAX WORKSHEET INSTRUCTIONS LINES 1 through 9

Line 1: Gross Proceeds of Sales/Rentals and Withdrawals of Inventory for Own Use Enter the total amount of all sales (taxable and nontaxable), leases and/or rentals of tangible personal property made by the business for the reporting period. Nontaxable sales are to be deducted on line 5. **DO NOT INCLUDE THE AMOUNT OF SALES TAX COLLECTED.**

You must also report purchases of tangible personal property (merchandise, equipment, etc.) purchased tax free at wholesale, but used by you and/or your employees. When purchasing merchandise out-of-state, there may be circumstances when additional tax is due. To determine if you owe additional tax, contact the South Carolina Department of Revenue (SCDOR).

Line 2: Out-of-State Purchases Subject to Use Tax Enter the total purchases of tangible personal property purchased from an out-of-state retailer who did not collect South Carolina use tax. If the tax rate in your county is greater than the tax rate paid out-of-state, contact SCDOR for additional information.

Line 3: Total Add lines 1 and 2. Enter total here and on line 1 on the front of ST-3.

Line 4: Sales and Use Allowable Deductions To claim a deduction relating to a sale, the sales transaction must be reported on line 1 or 2 of this worksheet. Enter the type of deduction (see list below) in Column A and the dollar amount of the sale in Column B. South Carolina law provides for a deduction from gross proceeds of sales for those items specifically exempt from tax. The list below is used to identify some of the items to be shown as deduction. Any amount claimed as a deduction on your return must be itemized in Column A and B of this worksheet. You are required to maintain records that will support all deductions claimed on this return. **A further explanation of deductions is available by obtaining a copy of the South Carolina Sales and Use Tax Code of Laws by contacting the Department's Main Office, the Taxpayer Service Centers or visit our website: www.sctax.org>Law and Policy**

Examples of Allowable Deductions: (Not all inclusive)

Sales for resale
Out-of-state sales

Exemptions:

Manufacturing
Agriculture
Federal Government
Medicine and prosthetic devices (by prescription)
Diabetic supplies (by written authorization)
Gasoline sales
Installation charges (separately state on invoice)

Trade-ins
Excess over tax cap
Manufactured home (35% exemption)
Food purchased with food stamps
Sales Tax Holiday exempt sales
1% tax reduction for purchases made by individuals age 85 and older for their own use

NOTE: This 1% tax reduction does not apply to local tax calculation.

Line 5: Total Amount of Deductions (Total Column B.)

Line 6: Subtotal (Line 3 minus line 5) If local tax and/or tax on unprepared food is applicable enter this amount here and on line 1 of ST-389 worksheet.

Line 7: Unprepared Food Sales Effective November 1, 2007 sales of unprepared foods (previously taxed at 3%) are exempt of the State sales and use tax rate and must be entered here. However, local taxes still apply to sales of unprepared foods unless the local tax law specifically exempts such sales. As a result, sales that are subject to a local tax must be entered here on line 7 and on Form ST-389 (local sales tax worksheet). Sales made beginning October 1, 2006 and prior to November 1, 2007, must be entered here and on section 5 of Form ST-389 plus the ST-389 worksheet.

Line 8: Total Deductions and Subtractions: Add lines 5 and 7 (Enter total here and on line 2 on front of return.)

Line 9: Net Sales and Purchases (Line 3 minus line 8) Total should agree with line 3 of ST-3.

STEP 2

ST-3

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Calculation of 6% Sales and Use Tax

IMPORTANT: If it is determined that no entry is needed on a line, **PLEASE LEAVE LINE BLANK**. Do not write on the lines that do not pertain to you.

Line 1 Gross Proceeds of Sales: Enter the gross proceeds of sales, rentals, use tax and withdrawals of Inventory for own use. Enter the total from line 3 of your worksheet. Do **not** include sales tax collected in this amount.

Line 2 Total Amount of Deductions: Enter the total amount of deductions from line 8 of your worksheet.

Line 3 Net Taxable Sales: Line 1 minus line 2.

Line 4 Tax: Multiply line 3 x 6% (.06).

Line 5 Taxpayer's Discount: A taxpayer's discount may be claimed when the return is filed and the tax due is paid in full on or before the due date of the return. **No discount** is allowed if the return or payment is received after the due date. The discount is computed as follows:

If your combined tax liability (line 4, ST-3 and line 2, Column B last page of ST-389) is less than \$100, the discount rate is 3% (.03) of line 4. If the total is \$100 or more, the discount rate is 2% (.02) of line 4. Deduct this amount from line 4.

Note: Discounts are not allowed to exceed \$3,000 per taxpayer (for all locations) during any one South Carolina fiscal year, which covers payments made from July 1 through June 30. This includes all returns which become due during this period (returns for June through May). The \$3,000 maximum includes the total discounts for sales/use and local taxes. Taxpayers who file and pay electronically are allowed a \$3,100 maximum discount. The discount amount is \$10,000 for out-of-state retailers who cannot be required to register for sales and use tax but who voluntarily register to collect and remit the tax. However, you must receive prior approval from the Department of Revenue for the \$10,000 discount.

Line 6 Sales and Use Tax Net Amount Payable: Line 4 minus 5.

Line 7 Penalty and Interest: Enter the total of Penalty and Interest, using instructions below or visit our website: www.sctax.org and click on **P and I Calculator** (under Taxes and Licenses).

PENALTY FOR FAILURE TO FILE A RETURN: Five percent (.05) of the amount of tax due (from line 4 on the front of the return) for each month or fraction of a month of delinquency, not to exceed twenty-five percent (.25) of the amount of tax due.

PENALTY FOR FAILURE TO PAY TAX DUE: The penalty is one-half of one percent (.005) of the amount of tax due (the total of line 4 on the front of the return) for each month or fraction of a month of delinquency, not to exceed a total of twenty-five percent (.25) of the amount of tax due. The penalty for failure to file and pay must be combined and entered as a total on line 7.

INTEREST: Interest is assessed in accordance with Sections 6621 and 6622 of the Internal Revenue Code. Rates are based on the prime rate, subject to change quarterly and are compounded daily.

Line 8 Total Sales and Use Tax: Enter the total of lines 6 and 7.

STEP 3

ST-389 - INSTRUCTIONS FOR COMPLETING FORM ST-389

DOES LOCAL TAX APPLY AND IS THIS FORM APPLICABLE?

Only complete ST-389 worksheet if one of the following applies:

- Your business is located in a county that imposes a local tax, even if the local tax due is zero.
- Your business delivers to a county with local tax, regardless of whether your business is or is not located in a county that imposes a local tax.
- Your business makes sales of unprepared food items. (If yes, see Step 6.)

If this does not apply, go to **STEP 8**.

ST-389 WORKSHEET INSTRUCTIONS

This worksheet is to assist you in determining the proper amount required to be allocated on Form ST-389. Complete this section of the ST-389 if you sold, purchased or delivered property for use in a county with a local tax.

Line 1 Net Sales and Purchases: Enter amount from line 6 of sales and use tax worksheet.

Line 2 Catawba Tribal Sales: (Enter line 4b deductions of Sales and Use Tax Worksheet.) The tribal sales tax is required to be reported on the ST-389 form only.

Line 3 Total Sales and Purchases: (Add lines 1 and 2.)

Line 4 Local Tax Allowable Deductions: Enter those sales that are not subject to local taxes or a tribal sales tax. All deductions should be itemized under column A, with the deduction amount shown in Column B.

Certain transactions are taxable for the state's 6% (effective June 1, 2007) sales and use tax, but are exempt from SC local sales and use tax.

Some examples are:

- Deliveries to counties without local tax
- Quarterly and annual filers remitting tax on the first reporting period after the implementation date may use the worksheet to calculate the amounts not subject to the local tax
- Taxable portion of all sales which fall under the \$300 maximum tax. (i.e. automobiles, manufactured homes, etc.)

This is not a complete listing of Local Tax exemptions. You may contact the South Carolina Department of Revenue at (803) 898-5709 for additional information, if you have questions regarding these exemptions.

Line 5 Total Deductions from Column B of Worksheet: Enter the total allowable deductions from Column B of line 4.

Line 6 Total Net Taxable Local Sales: (Subtract line 5 from line 3) Total should agree with Column A, line 1, last page of ST-389.

Note: If your sales, purchases and withdrawals are used or delivered in a county with more than one local tax, the taxable amount on line 1, last page of ST-389 may not agree with net taxable local sales.

Do not take credits on this form. **(See ST-14: Claim for Refund form which is located in this booklet and discussed on the Essential Information section found in this booklet).**

STEP 4

INSTRUCTIONS FOR COMPLETING FORM ST-389, pages 1 and 2

The Form ST-389 is a three-part form with Capital Projects, and School District taxes reported on page 1; Transportation, Catawba and Sales Tax on Unprepared Food reported on page 2. The county names and codes for these taxes are preprinted only on pages 1 and 2. Local Option taxes are required to be reported on page 3. Use only the codes listed on Form ST-389.

These instructions illustrate retail sales subject to local taxes. Each tax type is required to be reported separately on the Form ST-389 under the appropriate tax section for that particular county. For the sample enclosed in this booklet the 1% Capital Projects Tax is reported on page 1 of the ST-389 and the 1% Local Option is reported on page 3 of the ST-389.

Use instructions below to complete Columns A, B, C, and D for reporting special local taxes listed on pages 1 and 2 of ST-389.

CALCULATING LOCAL TAX ON ST-389

Column A Taxable Sales and Purchases: Enter net taxable sales or purchases made for each county or jurisdiction. The sample shows a retailer with sales in Florence County.

Column B Tax: Multiply Column A by the applicable tax rate and enter results in Column B for the applicable county or jurisdiction.

Column C Discount: A taxpayer discount may be claimed when the return is filed and tax is paid in full on or before the due date of the return. No discount is allowed if the return or payment is received after the due date. The discount is computed by multiplying the tax amount of Column B by the applicable discount rate (Column B x Discount Rate).

Note: Discounts are not allowed to exceed \$3,000 per taxpayer (for all locations) during any one South Carolina fiscal year, which covers payments made from July 1 through June 30. This includes all returns which become due during this period (returns for June through May). The \$3,000 maximum includes the total discounts for sales /use and local tax. Taxpayers who file and pay electronically are allowed a \$3,100 maximum discount. The discount amount is \$10,000 for out-of-state retailers who cannot be required to register for sales and use tax, but who voluntarily register to collect and remit the tax. However, you must receive prior approval from the Department of Revenue for the \$10,000 discount.

Column D Net Amount After Discount: (Column B minus Column C) Enter total in Column D for each applicable tax to be reported.

STEP 5

INSTRUCTIONS FOR COMPLETING PAGE 3 LOCAL OPTION PORTION

Name of County or Jurisdiction: Column A is used to identify a particular county or municipality where delivery takes place in a county with a local option tax. If your business reports a local option tax, you must use the municipality or county name and code that shows the location where the property is delivered within the county. A list of counties with the municipality names and codes can be found on the reverse side of Form ST-389. Enter the name of the county or municipality and its code based upon sales or deliveries within a particular location or municipality.

ONLY ONE ENTRY PER LINE IS ALLOWED. If additional lines are needed, use the ST-389 A (Addendum) located in your booklet and our website www.sctax.org

*For purposes of the illustrated sample, the Florence County retailer would report sales subject to a 1% Local Option tax for the municipality of Lake City and use the code 2470 on page 3 of ST-389.

CALCULATING LOCAL OPTION TAX

Code: Enter the code for the named county or municipality based upon codes identified on the back of the Form ST-389. Use instructions below to complete Columns A, B, C, and D for Local Option Tax. As stated earlier, the Florence county retailer used the code 2470 for the city of Lake City.

Column A - Net Taxable Amount: Enter net taxable sales or purchases made for each county or municipality. Credits are not allowed to be taken on this form. **(See ST-14: Claim for Refund form which is located in this booklet and discussed on the Essential Information section found in this booklet).**

Column B - Local Tax: Multiply Column A by 1% (.01) and enter results in Column B for each county or municipality.

Column C - Discount: A taxpayer's discount may be claimed when the return is filed and the tax due is paid in full on or before the due date of the return. **No discount** is allowed if the return or payment is received after the due date. The discount is computed as follows:

Column B times Discount Rate (Use the same discount rate as used on line 5 of form ST-3).

Note: Discounts are not allowed to exceed \$3,000 per taxpayer (for all locations) during any one South Carolina fiscal year, which covers payments made from July 1 through June 30. This includes all returns which become due during this period (returns for June through May). The \$3,000 maximum includes the total discounts for sales /use and local tax. Taxpayers who file and pay electronically are allowed a \$3,100 maximum discount. The discount amount is \$10,000 for out-of-state retailers who cannot be required to register for sales and use tax but who voluntarily register to collect and remit the tax. However you must receive prior approval from the Department of Revenue for the \$10,000 discount.

Column D - Net Amount After Discount: Column B minus Column C.

Line 1: Enter total of all net taxable sales listed in Column A of the ST-389 and ST-389-A if applicable, on line 1 on bottom of page 3. Be sure to include total of all entries from all pages. For additional entries, reproductions of page 3 are permissible or you may reproduce ST-389-A located in the back of the booklet.

Line 2: Add all local taxes due and enter total of Column B, on line 2 of last page.

Line 3: Add all net amounts in Column D.

Line 4: Enter the total of Penalty and Interest, from calculations below or visit our website: www.sctax.org

PENALTY FOR FAILURE TO FILE A RETURN: Five percent (.05) of the amount of local tax due (on line 2) for each month or fraction of a month of delinquency, not to exceed twenty-five percent (.25) of the amount of tax due.

PENALTY FOR FAILURE TO PAY TAX DUE: The penalty is one-half of one percent (.005) of the amount of local tax due (on line 2) for each month or fraction of a month of delinquency, not to exceed a total of twenty-five percent (.25) of the amount of tax due.

The penalty for failure to file and pay must be combined and entered as a total on line 4.

INTEREST: Interest is assessed in accordance with Sections 6621 and 6622 of the Internal Revenue Code. Rates are based on the prime rate, subject to change quarterly and are compounded daily.

Line 5: Add lines 3 and 4. Enter the total of Column D from line 5 on ST-3 line 9.

Make a copy of the completed Form ST-389 for your records.

Reminder: All pages of Form ST-389 must be attached to appropriate state form.

STEP 6

ST-389 - CALCULATING TAX ON UNPREPARED FOOD

Does Food Tax Apply?

Effective November 1, 2007, sales of unprepared food items eligible to be purchased with United States Department of Agriculture food coupons (i.e., electronic benefit transfer cards) will be exempt from the state sales and use tax rate. This exemption does not apply to local sales and use taxes administered by the Department of Revenue. Local taxes are required to be shown in the applicable local tax section of the Form ST-389.

However, sales of unprepared food which lawfully may be purchased with United States Department of Agriculture food stamps beginning October 1, 2006 and prior to November 1, 2007 must be reported in this section.

Column A: Net Taxable: Enter unprepared food sales in section 5, Column A.

Column B: Tax: Multiply section 5, Column A x 3% (.03).

Column C: Taxpayer Discount: Column B x Applicable Discount Rate.

The discount rate is determined as follows:

If your combined tax liability (line 4, ST-3 and line 2, Column B last page of ST-389) is less than \$100, the discount rate is 3% (.03). If the total is \$100 or more, the discount rate is 2% (.02)

Column D: Net Amount After Discount: Column B minus Column C. If local taxes are applicable go to Step 4, otherwise continue.

STEP 7 ST-3 - ENTERING TAX FROM ST-389

REMINDER: ST-389 must be completed and attached for all additional taxes. If this section does not apply, go to line 10 of the ST-3.

9. Total Taxes Due (From Column D, line 5, last page of form ST-389)

STEP 8 ST-3 - DETERMINE TOTAL AMOUNT DUE

10. **TOTAL AMOUNT DUE** (Add lines 8 and 9)

STEP 9 ST-3 - SIGNATURE

Sign and date your return on the ST-3.

DON'T FORGET — Returns are past due if postmarked after the 20th of the month.

If you are not using preprinted forms and it is necessary to use blank forms, be sure to include your Social Security Number or Federal Employer Identification number in the space provided on the form.