

# Withholding

## Payroll Taxes

If you'll be employing others to work in your business, you'll need to withhold payroll taxes for both the federal government, FICA and the State of South Carolina.

South Carolina requires withholding from:

- Wages
- Prizes
- Royalties
- Winnings
- Nonresident contractors (*contracts exceeding \$10,000.00*)
- Rental payments made to nonresidents who own five or more residential units or one or more commercial properties in South Carolina
- Net proceeds going to nonresident sellers of real estate and associated tangible personal property located in South Carolina.

## How to Register for a Withholding Number

You must apply for a South Carolina Withholding number in order to establish an account in which to deposit your payments. This can be done online at our website, [www.sctax.org](http://www.sctax.org) or by completing the Business Tax Application, form SCTC-111. The number entitles you to be a **withholding agent**. The withholding number is permanent and will not be issued to any other business or person. Should the form of ownership of the business entity change, such as conversion from a partnership to a corporation, a new withholding number must be obtained. The withholding number will appear on all reports, returns and correspondence concerning the withholding agent and the account.

## How to Figure Withholding Payments

A federal form W-4, Withholding Exemption Certificate, 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 the federal form W-4. **We do not have a separate state W-4 form.** It is not required that an employee file a separate form W-4 for state purposes, unless the employee claims a smaller 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. Copies of W-4 forms are available from the Internal Revenue Service and are to be maintained in the employer's records. Send a copy of form W-4 to the SCDOR if an employee claims ten (10) or more exemptions. Withhold at the rate of zero exemptions if no exemption certificate is provided.

Use the [withholding tables](#) in your booklet to determine the amount of tax to withhold depending on the employee's salary, number of exemptions and frequency of payment (daily, weekly, biweekly, semimonthly or monthly).

All South Carolina withholding agents are required to withhold tax from employees' wages at the same time employees are paid (based on the date of the paycheck). The state withholding tax dollar limit that determines when a deposit or payment is to be made (except for nonresident withholding agents) is determined by your federal deposit requirement (i.e., quarterly, monthly, weekly, etc.).

## Formula for Computing SC Withholding Tax for Tax Year 2003

### Personal Computer

- I. Deduct from gross wages:
  - A. Personal Exemption
    - (1) \$.00 if zero exemptions claimed
    - (2) \$2,300 per personal exemption claimed

#### AND

- B. Standard Deduction
    - (3) \$.00 if zero exemptions claimed
    - (4) 10% up to \$2,600 if claiming 1 or more exemptions
- II. Balance is taxable income. Use either of the below listed computation tables to figure the tax.

#### Addition Method

At least	Not more than	
0	\$2,000	Taxed at 2%
\$2,000	\$4,000	Taxed at 3%
\$4,000	\$6,000	Taxed at 4%
\$6,000	\$8,000	Taxed at 5%
\$8,000	\$10,000	Taxed at 6%
\$10,000	And above	Taxed at 7%

#### Subtraction Method

At least	Not more than	
0	\$2,000	Taxed at 2%
\$2,000	\$4,000	Taxed at 3% minus \$20
\$4,000	\$6,000	Taxed at 4% minus \$60
\$6,000	\$8,000	Taxed at 5% minus \$120
\$8,000	\$10,000	Taxed at 6% minus \$200
\$10,000	And above	Taxed at 7% minus \$300

Note: Using the above tables will give you the annual tax. You must then divide by the number of pay periods to see how much the tax is per pay period.

## Mainframe Computer

### Constraints for determining SC Income Tax Withholding

		Yearly	Monthly	Semi Monthly	Bi Weekly	Weekly
Allowance per Exemption	A	\$2,300	\$191.67	\$95.83	\$88.46	\$44.23
Maximum Standard Deduction – No Exemptions	B	\$0	\$0	\$0	\$0	\$0
Maximum Standard Deduction – One or More Exemptions	C	\$2,600	\$216.67	\$108.33	\$100	\$50
Maximum Tax – 1 <sup>st</sup> Bracket	D	\$40	\$3.33	\$1.67	\$1.54	\$.77
Maximum Tax – 1 <sup>st</sup> and 2 <sup>nd</sup> Bracket	E	\$100	\$8.33	\$4.17	\$3.85	\$1.92
Maximum Tax – 1 <sup>st</sup> , 2 <sup>nd</sup> , and 3 <sup>rd</sup> Bracket	F	\$180	\$15	\$7.50	\$6.92	\$3.46
Maximum Tax – 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> Bracket	G	\$280	\$23.33	\$11.67	\$10.77	\$5.38
Maximum Tax – 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , 4 <sup>th</sup> and 5 <sup>th</sup> Bracket	H	\$400	\$33.33	\$16.67	\$15.38	\$7.69
Maximum Income Taxable in Each of the First Five Brackets	I	\$2,000	\$166.67	\$83.33	\$76.92	\$38.46

## Making Withholding Payments

### Paper Reporting

Withholding agents will receive a withholding package annually from the Department of Revenue with forms for filing and remitting the taxes. Each return in the package will be preprinted with the name and withholding number assigned to the withholding agent.

Also included in this package are preprinted coupons for you to use to deposit withholding taxes at your bank, if applicable. Use of these preprinted forms will help assure your return and payments are processed timely and efficiently.

All preprinted Withholding Tax Payment Coupons (form WH-1601) must be deposited at one's bank at the same time that federal withholding tax and FICA are deposited.

South Carolina resident withholding agents using a preprinted WH-1601 may deposit state withheld taxes with their local banks. If payment is made with a **non-preprinted** form (WH-1601X) or a late payment is made, mail the check and coupon to:

South Carolina Department of Revenue  
Withholding  
Columbia, SC 29214-0004

Non-resident withholding agents must mail their checks and coupons to the address listed above.

Most **common errors** made when making withholding payments with **WH-1601**:

- Quarter is not entered in QTR block on left hand side of coupon  
January, February and March -- Quarter 1  
April, May and June – Quarter 2

July, August and September – Quarter 3  
 October, November and December – Quarter 4

- South Carolina Residents can only take the **original, current and pre-printed** coupons to your local financial institution.
- Do not deposit altered coupons which includes a photocopy or a past year coupon.
- Only use the current year’s coupons

### Electronic Payment Over the Internet

You may also make withholding payments online by using our ePAY system from our website, [www.sctax.org](http://www.sctax.org). There is no cost to you and no registration is required. Using the ePAY system, payments are submitted by credit card or by electronic funds withdrawal (bank draft).



### Electronic Funds Transfer

Withholding agents who withhold \$15,000 or more state tax per quarter are required to pay taxes with immediately available funds. A method for doing this is through electronic funds transfer. The Department of Revenue notifies withholding agents of their requirement to make electronic funds transfers. Other withholding agents may participate voluntarily in the Electronic Funds Transfer (EFT) program. For additional information, contact Electronic Services at the Department of Revenue 1-800-379-9409 (statewide) or (803) 898-5740 (in Columbia).

### Payment Due Dates

#### Resident Withholding Agents:

Payment Due Dates are based on **FEDERAL** guidelines.

	If your FEDERAL tax liability is:	Both your <b>Federal</b> and <b>SC</b> withholding tax payments are due:
Quarterly	Less than \$2,500 for the quarter	Within 30 days after the end of the quarter
Monthly	Less than \$50,000 during the 12 month lookback period	By the 15 <sup>th</sup> of the following month
Semi-weekly	More than \$50,000 during the 12 month lookback period	Paydays on Wednesday, Thursday, Friday— following Wednesday Paydays on Saturday, Sunday, Monday, Tuesday— following Friday
1 Banking Day	\$100,000 or more accumulations	Within 1 banking day

### Nonresident Withholding Agents:

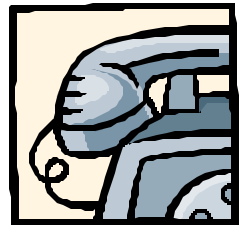
Payment due dates are based on **State Tax** liability.

	If your STATE tax liability is:	SC withholding payment is due:
Quarterly	Less than \$500 for the quarter	Within 30 days after the end of the quarter
Monthly	More than \$500 for the quarter	By the 15 <sup>th</sup> of the following month

## Filing Withholding Returns

### Business Tax TeleFile

A tax return must be filed even if no South Carolina withholding taxes were withheld during the filing period covered if the account was open. As a South Carolina business owner, you can conveniently file your withholding tax return by using the **Business Tax TeleFile System**, twenty-four hours a day / seven days a week. To qualify to file a withholding return, you must have a zero payment amount due with the return for the filing period covered.



As a first-time user you are required to register on the Business Tax TeleFile System before filing. Registration can be handled directly on the system during your initial telephone call. The registration and filing process takes less than ten minutes. Subsequent filings take less than eight minutes. The procedure is completely paperless – mailing additional documentation to the South Carolina Department of Revenue is not required.

If you file your WH-1606 (Fourth Quarter/Annual Reconciliation) using the TeleFile system, you should submit your W-2's and/or 1099's with form WH-1612 (Transmitter Summary Report Wage and Tax Information). ***If using the TeleFile system, do not submit W-2's and/or 1099's with the paper form WH-1606. This will result in a duplicate filing and will potentially cause problems in your withholding account.***

To use the Business Tax TeleFile System, dial (803) 898-5918 and follow the instructions.

If additional assistance is needed, you can contact the Business Tax TeleFile coordinator in Columbia at (803) 898-5111.

**A TAX RETURN MUST BE FILED  
EVEN IF NO SOUTH CAROLINA TAXES WERE WITHHELD  
DURING THE FILING PERIOD COVERED  
IF THE ACCOUNT WAS OPEN**

## **Instructions for using Business Tax Telefile**

Withholding tax filers must have a zero payment amount due with the return for the filing period covered. Amended returns are not accepted through Telefile.

### **To file your Quarterly Tax Return (WH-1605)**

1. Enter your 9 digit Withholding Tax File number, which begins with 25.
2. Enter the 4 digit PIN number that you selected.
3. Enter the quarterly filing period covered.
4. Enter the total state tax withheld from all sources for the period you are filing.
5. Enter the deposits or payments made during this period.
6. Enter the expected refund amount.
7. Enter first month Federal liability.
8. Enter second month Federal liability.
9. Enter third month Federal liability.
10. Re-enter your PIN as the electronic signature to receive a confirmation number.
11. Record the confirmation number.
12. Enter the date of you last withholding liability if you are no longer required to withhold SC Tax. Note: This option can be used to close your business.
13. You're done!

### **To file you Fourth Quarter/Annual Reconciliation of Income Tax Withheld (WH-1606)**

1. Enter your 9 digit Withholding Tax File number, which begins with 25.
2. Enter the 4 digit PIN number that you selected.
3. Enter the quarterly filing period covered.
4. Enter the total state tax withheld from all sources for the period you are filing.
5. Enter the deposits or payments made during this period.
6. Enter the expected refund amount.
7. Enter first month Federal liability.
8. Enter second month Federal liability.
9. Enter third month Federal liability.
10. Enter total state tax withheld from all sources.
11. Enter total wages reported.
12. Enter number of wage and tax statements, W-2s and 1099s with state tax withheld.
13. Re-enter your PIN as the electronic signature to receive a confirmation number.
14. Record the confirmation number.
15. Enter the date of you last withholding liability if you are no longer required to withhold SC Tax. Note: This option can be used to close your business.
16. You're done!

[Frequently Asked Questions for Telefile.](#)

## Reconciliation Returns

There are two (2) types of reconciliation returns:

1. Quarterly (WH-1605)
2. Fourth quarter/annual (WH-1606)

All withholding agents are required to file a quarterly reconciliation of tax withheld during the quarter on form WH-1605. A fourth quarter/annual reconciliation return (form WH-1606) must be used to reconcile the withholding account for the fourth quarter and year.

Quarterly payers will remit fourth quarter tax due with form WH-1606.

**Due dates** for returns are the same as federal:

First Quarter	April 30
Second Quarter	July 31
Third Quarter	October 31
Fourth Quarter	February 28/29

Most **common errors** made when filing Withholding Quarterly Tax Return (**WH-1605**) and Fourth Quarter/Annual Reconciliation (**WH-1606**)

- Line 1 should include all SC withholding from current quarter
  - First Quarter: January, February and March (WH-1605)
  - Second Quarter: April, May and June (WH-1605)
  - Third Quarter: July, August and September (WH-1605)
  - Fourth Quarter: October, November and December (WH-1606)
- Lines 1 through 6 include only SC State Income tax and not Federal or Unemployment Tax
- Lines 7a, b, c are the same monthly totals shown on Form 941 which includes the total of Federal withholding, FICA and Medicare.
- Return has SC Withholding number. Starts with 25 and has 9 digits.
- Period Covered is for the correct period (quarter).
- Return is completed in black or blue ink.
- Amended return is not sent in as original return

## **Where to Mail Your Returns**

Mail your returns to:

South Carolina Department of Revenue  
Withholding  
Columbia SC 29214-0004

## **Tax Service Providers**

If you are a tax service provider or CPA who files for 100 or more South Carolina withholding clients, you may be eligible to file through our new Batch Withholding program. This program provides an electronic means of filing Withholding quarterly returns with the SC Department of Revenue. For more information, contact the Withholding Unit at 803-898-5383.

## **W-2s**

A federal Withholding Tax Statement, form W-2 must be furnished to each employee before January 31 following the close of the calendar year or on the last day of employment.

The form W-2 must include the following information:

- Name and address of the withholding agent
- State and federal identification number of the withholding agent
- Name and address of the employee
- Social Security number of the employee
- Total amount of wages or payments
- Total amount of tax withheld

Copy one of the W-2 form must be sent to the South Carolina Department of Revenue by February 28 (*or February 29 in leap years*).

## **Magnetic Media**

### **Who Needs to File**

South Carolina Code 12-8-1550 provides that where information required under Section 12-8-1540 (Wage and Tax Statements and 1099's) is required to be submitted to the Internal Revenue Service on magnetic media, the information must also be submitted to the SC Department of Revenue on magnetic media.

- Employers with 250 or more W-2 forms should submit on magnetic media.
- Employers with 250 nationwide who issue 25 or fewer W-2's to South Carolina employees in a calendar year or who issue 25 or fewer 1099's with South Carolina withholding in a calendar year may submit the W-2's or 1099's to the Department on traditional paper forms or by magnetic media.
- If submitting magnetic media, only MMREF format will be accepted.

- W-2 Magnetic Media Reporting Requirements are the same for state as Federal.

See complete **Magnetic Media Specifications** in South Carolina Department of Revenue Package **RS-1**. A complete package is available on our website at [www.sctax.org](http://www.sctax.org) or through Fax on Demand forms ordering, 1-800-768-3676 or in Columbia 898-5320, Document Retrieval Number 9052. Anyone having Magnetic Media related questions should call 803-898-5821.

## **Where to Mail Magnetic Media**

SC Department of Revenue  
Mag Media  
Columbia, SC 29214-0022

## **W-2 Notes**

W-2 Wage and Tax Statement forms have multiple copies, they are:

- Copy A for Social Security Administration. Send the entire page with form W-3 to the Social Security Administration (SSA); photocopies are not acceptable.<sup>1</sup>
- Copy one for the state, city or local tax department
- Copy B to be filed with the employee's federal tax return. This information is being furnished to the Internal Revenue Service.
- Copy C is for the employee's records
- Copy D is for the employer
- Copy two is for the employee's state, city or local income tax return.

Specific information needed to complete the W-2 form is given in a separate Internal Revenue Service booklet entitled "2002 Instructions for Forms W-2 and W-3."

<sup>1</sup> Because the Social Security Administration processes paper forms by machine, you cannot file with the SSA forms W-2 and W-3 that print from the IRS website ([www.irs.gov](http://www.irs.gov)).

## **Due Dates for W-2's**

Furnish copies B, C and 2 to the employee generally by January 31. (File copy A with the SSA generally by February 28, 2003. Send all copies A with Transmittal of Wage and Tax Statements, form W-3. If you file electronically (*not by magnetic media*), the due date is March 31, 2003.) *These dates change each year so be sure you read the instructions carefully!*

## **Nonresident Withholding Agents**

Nonresident withholding agents must mail their payments and coupons to:

SC Department of Revenue  
Withholding  
Columbia, SC 29214-0004

The postmark date will determine timely filing. You may also make withholding payments online by using our ePAY system from our website. There is no cost to you and no registration is required. Using the ePAY system, payments are submitted by credit card or by electronic funds withdrawal (bank draft).

A nonresident withholding agent whose accumulated South Carolina withheld tax is less than \$500 during a calendar quarter must remit tax withheld to the Department of Revenue **by the last day of the month following the quarter in which the tax was withheld.**

For example: 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.

For example: If the accumulated amount withheld is less than \$500 in any month, the amount can be rolled forward to the next month within the same quarter.

Nonresident withholding agents withholding \$15,000 or more per quarter are required to pay taxes with immediately available funds. A method for doing this is through electronic funds transfer. (See Electronic Funds Transfer EFT above.)

## What Happens If You Don't File a Return?

**South Carolina Employer Withholding Tax Return (form WH-1605 and WH-1606) is to be filed for any open account even if no tax is withheld. Failure to file the withholding return will result in a delinquent notice being mailed. PENALTIES AND INTEREST ARE IMPOSED IF YOU DON'T FILE!!**

## Selected Forms to Use

<a href="#">WH 1601X</a>	Withholding Tax Payment Coupon
<a href="#">WH 1603</a>	Withholding Tables
<a href="#">WH 1603F</a>	Computer Formula
<a href="#">WH 1605</a>	Quarterly Withholding Tax Return (Quarters 1, 2 and 3)
<a href="#">WH 1605A</a>	Amended Quarterly Tax Return
<a href="#">WH 1606</a>	Fourth Quarter/Annual Reconciliation of Income Tax Withheld
<a href="#">WH 1606A</a>	Amended Fourth Quarter/Annual Reconciliation of Income Tax Withheld
<a href="#">WH 1612</a>	Transmitter Report and Summary of Magnetic Media Form
W-2	Wage and Tax Statement ( <i>federal form</i> )
<a href="#">Form W-4</a>	Withholding Exemption Certificate ( <i>federal form</i> )
<a href="#">Form 105</a>	Information Guide - South Carolina Withholding Tax
<a href="#">SCTC-111</a>	Business Tax Application
<a href="#">SCTC-111Ins</a>	Instructions for Completing SCTC-111
<a href="#">Form C-278</a>	Account Closing Form

## **Other South Carolina Taxes You May Need to File**

### **Unemployment Insurance Contributions**

Employers of one or more workers must pay a tax on wages paid to employees for purposes of providing unemployment compensation.

This tax is administered and collected by the South Carolina Employment Security Commission.

#### **South Carolina Employment Security Commission**

1550 Gadsden Street

Post Office Box 995

Attn: UI Technical Services

Columbia SC 29202

Telephone: (803) 737-3075

### **Workers' Compensation**

Employers with four or more employees must purchase insurance or qualify as a self-insurer by meeting certain requirements in accordance with the rules and regulations of the South Carolina Workers' Compensation Commission. Workers' Compensation provides benefits to employees who have sustained a job-related injury or illness. The Workers' Compensation Commission collects premiums.

#### **South Carolina Workers' Compensation Commission**

1612 Marion Street

Post Office Box 1715

Columbia SC 29202

Telephone: (803) 737-5700