



PARTNERSHIP RETURN OF INCOME

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

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

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 type="checkbox"/>	Tax Year 2002
Total Number of Partners:			Number of Partners that are Not South Carolina Residents:		

DO NOT WRITE
IN THIS SPACE

Federal Identification No:	SC File No:	14-0824
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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 23, 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	4.	
5. Withholding tax due - line 4 times .05 (5%)	5.	
6. Amount paid with Extension SC4868.	6.	
7. Subtract line 6 from line 5. This is the amount due with this return	7.	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.

Please Sign Here	Signature of general partner _____ 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 _____	E.I. No. _____	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	Net - Other Rents				
4a	Interest Income				
4b	Dividend Income				
4c	Royalty Income				
4d	Net Short Term Cap. Gain (loss)				
4e	Net Long Term Cap. Gain (loss)				
4f	Other Portfolio Income (loss)				
5	Guaranteed Payments				
6	Sec. 1231 Gain (loss)				
7	Other Income (loss)				
8	Charitable Contributions				
9	Sec. 179 Exp. Deduction				
10	Portfolio Deductions				
11	Other Deductions				
12	Investment Interest Exp.				
13	Total				

14. Total of lines 1 through 12, Schedule K of Federal Form 1065	14	
15. Amount Allocated to South Carolina (from line 13, Schedule SC-K, Col. D)	15	
16. Net income (loss) subject to apportionment (from line 13, Schedule SC-K, Col. E)	16	
APPORTIONMENT FACTORS FOR MULTISTATE BUSINESS (LINES 17 THROUGH 20-MULTISTATE ONLY)		
17. SALES		
	TOTALS	SC
Total Gross Receipts		
Sales Percentage		%
Multiply Sale Percentage by 2 (see instructions)		%
18. PROPERTY		
Total Owned and Rented Property		
Property Percentage		%
19. PAYROLL		
Total Wages and Salaries		
Payroll Percentage		%
20. TOTAL PERCENT		%
21. Apportionment factor (average percent). 100% if operating entirely within SC (see instructions) . .	21	%
22. Net business income (loss) apportioned to SC (line 16 multiplied by line 21)	22	
23. Net business income (loss) taxable to SC (line 15 plus line 22)	23	



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INSTRUCTIONS FOR SC1065 - SOUTH CAROLINA PARTNERSHIP RETURN (Rev. 9/6/02)

NEW INFORMATION 2002

- South Carolina has updated income tax laws to conform with the Internal Revenue Code of 1986, as amended through December 31, 2001, with the modifications as explained in the instructions.
- SC1065 has several changes this year. Both pages of the form have been reorganized. Apportionment factors are now located on the second page.
- Every Partnership will now be assigned a file number by the Department of Revenue. Please use this number along with your federal identification number for filing returns or corresponding with this office.

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 11 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% bonus depreciation because of the Job Creation and Worker Assistance Act of 2002, add the difference between the 30% depreciation taken and the depreciation that would have been allowed before the law change. Any adjustment to depreciation due to differences in federal and state law will occur at the end of the federal depreciation period. Depreciation cannot exceed the basis of an asset.

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

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 17 through 20 and enter 100% in line 21.

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 17 through 19. Note that the sales percentage in line 17 is doubled. Add lines 17 through 19 and enter the total in line 20. Divide line 20 by four and enter the result in line 21. Compute all percentages to four decimal places.

If the sales ratio does not exist, divide line 20 by the number of existing ratios and enter the result on line 21. If the sales ratio exists but one of the other ratios does not, divide line 20 by the number of existing ratios plus one and enter the result on line 21.

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 17, but do not double the amount. Enter this percentage on line 21.

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 SC4868 by the 15th day of the fourth month following the end of the partnership's taxable year. Upon filing SC4868, 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 SC4868. In lieu of 4868, 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

A separate Schedule SC-K must be provided to each partner, reflecting the partner's proportionate share of South Carolina income. 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.

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

A composite return is one individual income tax return (SC1040) filed by a partnership on behalf of its nonresident partners. The return and any tax owed is due April 15. Determine the income tax liability of each participating nonresident partner separately, add them together, and report on SC1040. Attach a schedule showing the separate computations for each participating nonresident partner. The declaration of estimated tax rules apply. (See SC1040ES and instructions.) Include the name, address, and EIN of the partnership on SC1040. A general partner must sign the return. Nonresident partners with other income taxable to South Carolina and corporate partners may not participate in composite filing. Before filing a composite return, a partnership has until April 15 to file an SC4868 request for an extension of time and to estimate and pay tax due.

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.
- SC Code 33-44-211 requires any Limited Liability Companies to file annual reports with the Secretary of State. For more information or forms, visit www.scsos.com or call 803-734-2158.

