

TAX CREDIT FOR INCREASED PORT CARGO VOLUME

A taxpayer engaged in manufacturing, warehousing, or distribution which uses port facilities in this State and which increases its port cargo volume at these facilities by a minimum of five percent in a single calendar year over its base year port cargo volume is eligible to claim a tax credit in the amount determined by the Coordinating Council for Economic Development. See SC SCH TC-30.

RETAIL FACILITIES REHABILITATION CREDIT

The "South Carolina Historic Rehabilitation Incentives Act" applies to rehabilitation expenses incurred for eligible sites placed in service on or after July 1, 2006. A new credit which can be used against property and income tax for expenses incurred in rehabilitating abandoned retail facility sites located in the state. The amount of the credit is ten percent of the expenditures.

The entire credit may not be taken for the taxable year in which the eligible site is placed in service, but must be taken in equal installments over an eight-year period beginning with the year in which the property is placed in service. Any unused portion of a credit installment may be carried forward for the succeeding five years. This credit may be claimed on SC SCH. TC-31, "Credit for Retail Facilities Rehabilitation".

CREDIT FOR MERCURY SWITCH DISPOSAL

A vehicle recycler or scrap recycling facility participating in the End-of-Life Vehicle Solutions (ELVS) Program is entitled to a credit in the amount of \$2.50 for each mercury switch collected and submitted for disposal in accordance with the ELVS program. These credits may be used to reduce the taxpayer's corporate income tax liability or corporate license fees. Any unused credits may be carried forward to subsequent taxable years until these credits are exhausted. See SC SCH TC-33.

CORPORATE TAX MORATORIUM

A new corporate tax moratorium is established in SC Code Section 12-6-3367 with an effective date of May 31, 2006. This moratorium re-establishes the corporate tax moratorium in SC Code Section 12-6-3365 that was repealed July 1, 2005. See SC SCH TC-34.

QUALIFIED HYBRID MOTOR VEHICLE CREDIT

A South Carolina resident taxpayer who is eligible for and claims the new qualified fuel cell motor vehicle credit, the new advanced lean burn technology motor vehicle credit, the new qualified hybrid motor vehicle credit based on the combined city/highway metric or standard set by federal Internal Revenue Code Section 30B, and the new qualified alternative fuel motor vehicle credit allowed pursuant to Internal Revenue Code Section 30B is allowed a credit against income taxes in an amount equal to twenty percent of that federal income tax credit. The credit allowed by this section is nonrefundable and if the amount of the credit exceeds the taxpayer's liability for the applicable taxable year, any unused credit may be carried forward and claimed in the five succeeding taxable years.

The credit amount allowed by this section must be calculated without regard to the phaseout period limits of Internal Revenue Code Section 30B(f). See SC SCH TC-35.

INDUSTRY PARTNERSHIP FUND CREDIT

A taxpayer may claim as a credit against his state income tax, corporate license fees, or insurance premiums tax, or any combination of them, one hundred percent of an amount contributed to the Industry Partnership Fund at the South Carolina Research Authority, or an SCRA-designated affiliate, or both, up to a maximum credit of six hundred fifty thousand dollars for an individual taxpayer, not to exceed an aggregate credit of two million dollars for all taxpayers in tax year 2006; up to a maximum credit of one million three hundred thousand dollars for an individual taxpayer, not to exceed an aggregate credit of four million dollars for all taxpayers in tax year 2007; and up to a maximum credit of two million dollars for an individual taxpayer, not to exceed an aggregate credit of six million dollars for all taxpayers for each tax year beginning after December 31, 2007. See SC SCH TC-36.

WHOLE EFFLUENT TOXICITY TESTING CREDIT

A manufacturing facility may claim a tax credit equal to twenty-five percent for costs it incurs in complying with whole effluent toxicity testing. The credit is allowed only against taxes imposed by Section 12-6-530. Unused credits may be carried forward for ten years. See SC SCH TC-37.

CREDIT FOR INSTALLATION OF SOLAR ENERGY

A new tax credit is allowed against the income tax liability of a taxpayer in an amount equal to twenty-five percent of the costs incurred by the taxpayer in the installation of a solar energy heating or cooling system, or both, in a building owned by the taxpayer. The tax credit must not be claimed before the completion of the installation, and must be claimed for the year that the costs are incurred. The amount of the credit may not exceed \$3,500 or fifty percent of the taxpayer's tax liability for that taxable year, whichever is less. If the amount of the credit exceeds \$3,500, the taxpayer may carry forward the excess for up to ten years. See SC SCH TC-38.

BIODIESEL MOTOR FUEL CREDIT

Income tax credits against corporate income tax beginning after December 31, 2005 for:

(1) There is a business or personal income tax credit of twenty cents (20c) for each gallon of biodiesel motor fuel produced mostly from soybean oil and sold, up to a maximum of three million gallons per year from each facility, for a maximum of five years for each facility. Credits are available for not more than one facility in each county in any calendar year, with priority given to the first facility in a county that produces biodiesel motor fuel using soybean oil as the feedstock. Credits are available to individuals or businesses producing motor fuel mostly from soybean oil for internal use without regard to the per county limitation. This credit may be carried forward for up to three years. The payment shall be made upon compliance with verification procedures set forth by the Department of Agriculture.

(2) There is a business or personal income tax credit of thirty cents (30c) for each gallon of biodiesel motor fuel a majority of which is produced from feedstock other than soybean oil and sold, up to a maximum of three million gallons per year, for a maximum of five years. Credits are available for not more than one facility in each county in any calendar year, with priority given to the first facility in a county that produces biodiesel motor fuel using a feedstock other than soybean oil. Credits are available to individuals or businesses producing biodiesel motor fuel for internal use, a majority of which is derived from feedstock other than soybean oil, without regard to the per county limitation. This credit may be carried forward for up to three years. The payment shall be made upon compliance with verification procedures set forth by the Department of Agriculture. See SC SCH TC-39.

NEW JOBS TAX CREDIT – SMALL BUSINESS PROVISIONS

During the 2005 legislative session, the job tax credit was expanded to make it available to most types of small businesses (a business with 99 or fewer employees) who create and maintain a required minimum monthly average number of new, full time jobs by reducing the required monthly average increase of new, full time jobs from 10 jobs to 2 jobs for most types of qualifying businesses. See SC SCH TC4SB.

NEW JOBS TAX CREDIT – SMALL BUSINESS MONTHLY CREDIT

Beginning with the first full month wages are paid for the new full-time jobs created, the taxpayer is allowed a jobs tax credit in an amount equal to 8.33 percent of the maximum credit amount each month, for not more than sixty consecutive months, multiplied by the number of new full-time jobs for which wages are paid for the full month. A credit is not allowed for any month in which the new employment increase falls below the minimum level of two. To claim the credits the minimum gross wages requirement is met if the gross wages paid for the month, when annualized, meet the minimum requirement. Effective for taxable years beginning after December 31, 2005.

CHANGE IN MINORITY CREDIT – TC-2

Effective June 13, 2006, the credit is limited to a maximum of fifty thousand dollars annually. A taxpayer is eligible to claim the credit for ten taxable years beginning with the taxable year in which the credit is first claimed.

EXTRAORDINARY RETAIL ESTABLISHMENT

Extraordinary retail facilities now qualify for jobs tax credit. An extraordinary retail establishment is a single store located in a county with at least three and one-half million visitors a year, and it must be a destination retail establishment which attracts at least two million visitors a year with at least thirty-five percent (35%) of those visitors traveling at least fifty miles to the establishment. The extraordinary retail establishment must have a capital investment of at least twenty-five million including land, buildings and site prep, and one or more hotels must be built to service the establishments.

PASS THROUGH BUSINESS TAX RATE

Effective 2006, there is a reduced income tax rate on active trade or business income of a pass through business (sole proprietor, partnership, S corporation, or limited liability company taxed as a sole proprietorship, partnership, or S corporation) in lieu of the income tax rate imposed for individual income tax.

Taxpayers may elect annually to use the business income tax rate on the active trade or business income received by the owner of a pass-through business. The rate is 6.5% for the tax year 2006.

ADDITIONAL CREDITS AGAINST BANK TAX

Effective June 6, 2006, banks may now qualify for new jobs tax credit, corporate headquarters credit and infrastructure credit.

CORPORATE LICENSE FEE FOR CDC

Corporation license fee is inapplicable for a community development entity certified by the United States Department of the Treasury through the Community Development Financial Institution Fund as a company established to distribute allocations received as a part of the New Market Tax Credit Program. Effective June 14, 2006.

July 18, 2006 additions to SC 1120-TC Page 1, part I – against Income Tax

- 27. New Jobs Credit – Small Business (TC-4SB)
- 28. New Jobs Credit – Small Business Monthly Credit (TC-4SBM)
- 29. Tax Credit for Increased Port Cargo Volume (TC-30)
- 30. Credit for Retail Facilities Rehabilitation (TC-31)
- 31. Credit for Mercury Switch Disposal (TC-33)
- 32. Corporate Tax Moratorium per Section 12-6-3367 (TC-34)
- 33. Qualified Hybrid Motor Vehicle Credit (TC-35)
- 34. Industry Partnership Fund Credit (TC-36)
- 35. Whole Effluent Toxicity Testing Credit (TC-37)
- 36. Credit for Installation of Solar Energy (TC-38)
- 37. Biodiesel Motor Fuel Credit (TC-39)

July 18, 2006 additions to SC 1120-TC Page 2, Part II – against License Fee

- 8. Credit for Mercury Switch Disposal (TC-33)
- 9. Industry Partnership Fund Credit (TC-36)

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What's New
Forms Changes for 2006

New Forms

SC 1120-V
SC 8453-C

New credit forms

New Jobs Credit – Small Business (TC-4SB)

New Jobs Credit – Small Business Monthly Credit (TC-4SBM)

Tax Credit for Increased Port Cargo Volume (TC-30)

Credit for Retail Facilities Rehabilitation (TC-31)

Credit for Mercury Switch Disposal (TC-33)

Corporate Tax Moratorium per Section 12-6-3367 (TC-34)

Qualified Hybrid Motor Vehicle Credit (TC-35)

Industry Partnership Fund Credit (TC-36)

Whole Effluent Toxicity Testing Credit (TC-37)

Credit for Installation of Solar Energy (TC-38)

Biodiesel Motor Fuel Credit (TC-39)