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**Moving to South Carolina**

**Tax Guide**

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Whether you're moving for a career start, a promotion, a transfer, a new opportunity or retirement – welcome to South Carolina.

While this brochure presents the important federal and state tax considerations of moving within the United States or from abroad, you should not regard it as a complete guide. We would be pleased to answer any questions you may have about this Moving to South Carolina Tax Guide or to advise you concerning your specific situation.

### **MOVING EXPENSES DEDUCTION**

If you've changed job locations or launched a new career, you may be able to deduct your moving expenses for relocating to South Carolina – or within the state – if they are directly related to starting work at your new job location, and as long as the location is at least 50 miles from your former home. There is a requirement that you must work full time for at least 39 weeks during the first 12 months after you arrive in the general area of your new job location.

South Carolina conforms with the Federal income tax rules; thus the moving expense deduction will be the same as the Federal and will require no adjustment if you are moving into South Carolina.

If you are self-employed, you must work full time for at least 39 weeks during the first 12 months and a total of at least 78 weeks during the first 24 months after you arrive in the area of your new job.

### **DEDUCTIBLE MOVING EXPENSES**

Deductible moving expenses include the following:

- *Travel to your new home (includes lodging while en route).*
- *Packing, crating, and transporting your household goods and personal items and those of the members of your household, as well as the cost of shipping your car and your household pet(s).*
- *Actual auto expenses are deductible by keeping an accurate record, or you may deduct 15 cents per mile (shortest, most direct route), plus parking fees and tolls. You may NOT deduct repairs, insurance, depreciation or general maintenance.*

- *For foreign and military moves, the expenses of a return trip to the United States are subject to the standard moving expense deduction.*

### **HOW TO REPORT MOVING EXPENSES**

The Federal tax code provides that moving expenses are deductible in arriving at Adjusted Gross Income (AGI) to the extent not paid or reimbursed by the employer. Therefore, as an "above-the-line" deduction, moving expenses can be claimed regardless of whether or not the taxpayer itemizes deductions. Also, by reducing AGI, the moving expense deduction will make it easier to claim other allowable deductions that depend in part on AGI, such as medical expenses, casualty losses, miscellaneous itemized deductions, and IRA contributions.

In addition, there is an exclusion from gross income for qualified moving expense reimbursements. Qualified moving expense reimbursements are amounts received (directly or indirectly) by the taxpayer from an employer as a payment or reimbursement for moving expenses that would have been deductible had the taxpayer paid them directly. They do not include payments for, or reimbursements of, expenses that were deducted by the taxpayer in a prior tax year.

A taxpayer must substantiate underlying amounts related to the moving expense deduction and should retain all records, receipts, and canceled checks related to the deductions.

### **SELLING YOUR HOME**

Married taxpayers may exclude ALL gain on the sale of a principal residence up to \$500,000 (single taxpayers up to \$250,000). Taxpayers must use the home as a principal residence for 2 of the 5 years prior to the sale, and this treatment is generally available every two years. Special rules apply for newly separated couples, newly married couples, changes in the place of employment, health issues and "unforeseen circumstance." You may not deduct a loss on the sale or exchange of your home. The loss does not increase the basis of your new home. The original basis of a home is the purchase price in addition to certain settlement or closing costs.

## **YOUR SOUTH CAROLINA RETURN**

You are either a resident or non-resident for South Carolina income tax purposes. As a part-year resident, you may consider yourself either a resident or non-resident. If you choose to be a resident, file the resident Form SC1040 and report all your income as though you were a resident for the entire year. You will be allowed a credit for taxes paid on income taxed by South Carolina and another state.

If you elect to be a non-resident, file the non-resident Form SC1040 with Schedule NR. You will be taxed only on income earned in South Carolina and will prorate your deductions and exemptions.

If you are a resident for South Carolina income tax purposes or have non-resident South Carolina income tax, and you are required to file a Federal Return, you are also required to file a South Carolina income tax return.

All personal income earned in South Carolina must be reported to South Carolina. You may choose the way that is most advantageous to you.

If one spouse is a resident and the other is not, and you file a joint Federal return, you must file jointly in South Carolina and complete Schedule NR. The resident spouse will report all income to SC and the non-resident spouse will only report income earned in South Carolina. If you file separate Federal returns, you must file separate South Carolina returns.

## **ADD-BACKS FOR SOUTH CAROLINA INCOME**

These include:

- *Non-South Carolina Municipal interest*
- *Federal deductions for state and local income taxes are added back for South Carolina*

## **SC TAX RATES AND CREDITS**

South Carolina's individual income tax is a graduated tax with a maximum rate of 7%. The rate is the same regardless of filing status. Additionally, various tax credits are also available.

## **ESTIMATED TAX**

Generally you should make estimated tax payments if you figure your estimated tax will be \$1,000 or more and you do not have adequate withholdings from your salary, pension or other income.

## **INCOME NOT TAXABLE TO SC RESIDENTS**

South Carolina does not tax the following income:

- *Income or loss from real estate property not located in South Carolina*
- *Interest from U.S. obligations*
- *Military reserve income and National Guard pay*
- *Qualifying disability income*
- *Social security and/or railroad retirement income*
- *44% of long-term capital gains*
- *Up to \$10,000 annual retirement income for taxpayers age 65 and older*
- *Up to \$3,000 annual retirement income for taxpayers under 65 years of age*
- *\$15,000 annual deduction of income from any source for taxpayers 65 or older; however, if taking the \$10,000 retirement deduction, the \$15,000 is reduced by that amount*
- *State income tax refunds*

## **PROPERTY TAX**

The real estate tax on a primary residence is based on 4% of market value of your residence using the millage rate of the local government.

The first \$50,000 of the fair market value of a home is exempt from property taxes for citizens who are 65 years or older on December 31 and for those who are blind or totally disabled.

South Carolina's personal property tax for automobiles is based on the fair market value of the automobile using the tax rate of the district in which you live.

## **SALES TAX**

South Carolina taxes sales of tangible personal property at the rate of 6-8% with some exceptions. There will be additional local sales tax in some jurisdictions. There is a maximum sales tax of \$300 on automobile and certain other vehicle purchases.

## **INTANGIBLE TAX**

South Carolina does not tax intangible assets.

## **MOVING TO SOUTH CAROLINA FROM ABROAD**

If you are a citizen of the United States returning from abroad, the expense deduction rules apply. If you are a retiree or a survivor (spouse or dependent) whose main job location and home were outside the United States, please consult your tax advisor.

If you are not a United States citizen, you must determine if you are a resident alien or a non-resident alien for U.S. tax purposes. A resident alien is a person who has a green card or who meets the requirements of the substantial presence tests. The substantial presence test is a calculation of the number of days a person is physically present in the United States.

It is important to note that even though a person may meet the substantial presence test, certain exceptions may apply which would allow that person to claim non-resident status.

A resident alien's worldwide income is generally subject to tax in the same manner as a U.S. citizen. Resident aliens must report all interest, dividends, wages, or other compensation for services, income from rental property or royalties, and other types of income, whether from sources within or outside the U.S., on their U.S. tax return – Form 1040.

After determining your status as a resident or a nonresident alien, whether your income is subject to tax in the U.S. generally depends on the source of the income.

A tax treaty between the United States and your country of residence may contain a provision to settle any conflicting claims of residence. For the proper determination of your residence status in accordance with your U.S. tax considerations, please consult your tax advisor.

## **ABOUT ELLIOTT DAVIS**

**No matter what your business, if you're not strong in financial operation, you need someone who is. Since our beginning over eighty years ago, Elliott Davis has served companies and families with a broad array of accounting and advisory services and practical solutions.** From strategic planning, tax preparation and auditing to wealth management services, employee benefits administration and technology solutions – our people help you achieve professional goals in personal ways.

## **ELLIOTT DAVIS AFFILIATES**

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Elliott Davis Capital Partners is committed to ensuring clients success by providing a broad range of investment banking services, including merger and acquisition, private placement, restructuring, and valuation services.

### **Retirement Plan Advantage**

Elliott Davis Retirement Plan Advantage professionals help you arrive at the most rewarding retirement plan for your company and employees, implement the plan across your organization, and relieve you from many of the challenges of ongoing administration.

### **Technology Solutions**

Elliott Davis Technology Solutions is a full-service technology-consulting firm offering a wide range of comprehensive business technology services including network design and installation, network support, network maintenance, data cabling, multi-site connectivity, security reviews, and related services.

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