



**COMPOSITE RETURN AFFIDAVIT**

I certify and agree to the following:

1. I am a nonresident partner of a Partnership, shareholder of an S Corporation, or member of a Limited Liability Company (LLC).
2. My name is: \_\_\_\_\_  
My address is: \_\_\_\_\_  
Street address  
\_\_\_\_\_  
City State ZIP
3. My Social Security Number (SSN) or Federal Identification Number (FEIN) is: \_\_\_\_\_
4. The income this affidavit and agreement applies to is:
  - Distributed or undistributed South Carolina income from a Partnership.
  - Distributed or undistributed South Carolina income from an S Corporation.
  - Distributed or undistributed South Carolina income from an LLC taxed as a Partnership.
  - Distributed or undistributed South Carolina income from an LLC taxed as an S Corporation.
5. Entity's name: \_\_\_\_\_  
Entity's address: \_\_\_\_\_  
Street address  
\_\_\_\_\_  
City State ZIP  
Entity's FEIN: \_\_\_\_\_
6. I have no source of income taxable to South Carolina other than income from the entity named above.
7. This affidavit applies for the year January 1 - December 31, \_\_\_\_\_, or for the fiscal tax year beginning \_\_\_\_\_ and ending \_\_\_\_\_.

I declare under penalty of perjury that I have examined this affidavit and that, to the best of my knowledge and belief, it is true, correct, and complete.

Under SC Code Section 12-54-44(B)(6)(a), a person who willfully makes and subscribes any return, statement, or other document that contains, or is verified by, a written declaration made under penalties of perjury that they do not believe to be true and correct as to every material matter is guilty of a felony and, upon conviction, must be fined not more than \$500 or imprisoned not more than five years, or both, together with the cost of prosecution.

\_\_\_\_\_  
Signature of partner, shareholder, or member

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print name of partner, shareholder, or member

# INSTRUCTIONS

## What is a composite return?

A composite return is a single return filed by a Partnership, S Corporation, or LLC taxed as a Partnership or S Corporation on behalf of two or more nonresident participants.

- Participants are limited to individuals, trusts, or estates who are partners of the Partnership, shareholders of the S Corporation, or members of an LLC taxed as a Partnership or S Corporation.
- The composite return includes income received by the participant from the Partnership, S Corporation, or LLC.
- Each participant's tax is determined separately and added together to arrive at the total tax due on the composite return.
- The composite return must be signed by an authorized partner of the Partnership, an officer of the S Corporation, or a member of the LLC.
- Determine the participant's South Carolina Income Tax as if it were being separately reported.

## Determining the tax due on a composite return

Determine each participant's tax due using one of the following methods:

**Method A.** The participant provides the I-338, Composite Return Affidavit, to the SCDOR through the entity stating that no income is taxable to South Carolina other than the income from the entity.

### Option 1:

- Prorate the standard deduction or itemized deductions.
  - For an individual, multiply the standard or itemized deductions by the South Carolina adjusted gross income, and divide the result by the federal adjusted gross income.
  - For an estate or trust, multiply the standard or itemized deductions by the South Carolina gross income, and divide the result by the federal adjusted gross income.
- If the participant chooses, tax active trade or business income at the active trade or business income rate.
- Tax all other taxable income using the graduated rate for individuals, estates, and trusts.

### Option 2:

- Do not use the standard deduction or itemized deductions.
- If the participant chooses, tax active trade or business income at the active trade or business income rate.
- Tax all other taxable income using the graduated rate for individuals, estates, and trusts.

**Method B.** The participant does not provide the I-338, Composite Return Affidavit, to the SCDOR through the entity stating that no income is taxable to South Carolina other than the income from the entity.

- Do not use the standard deduction or itemized deductions.
- Tax active trade or business income at the active trade or business income rate. **The "safe harbor" is not available under Method B.**
- Tax all other taxable income at South Carolina's top marginal tax rate for Individual Income Tax for the tax year.

# I-338 Composite Return Affidavit Information

## Purpose

If the participant completes the I-338, the Partnership, S Corporation, or LLC can use either Option 1 or 2 under Method A. Without an I-338, the Partnership, S Corporation, or LLC is limited to Method B, and the “safe harbor” is not available for computing active trade or business income.

## Who may submit the I-338

An individual, trust, or estate who is a nonresident partner, shareholder, or member of a Partnership, an S Corporation, or an LLC taxed as a Partnership or S Corporation, who has no source of income taxable to South Carolina other than from the entity.

The affidavit should be completed and signed by the participant or by an agent acting on the participant's behalf.

## Submitting the I-338

### Partners, Shareholders, and Members:

- A qualifying participant should submit the completed I-338 directly to the Partnership, S Corporation, or LLC.
- Do not mail to the SCDOR.
- The I-338 is not valid for subsequent years and must be resubmitted to the entity each year.

### Partnerships, S Corporations, and LLCs:

- The Partnership, S Corporation, or LLC must provide all I-338 affidavits to the SCDOR along with the composite return (SC1040, South Carolina Individual Income Tax Return).

For more information, see SC Revenue Procedure #17-2, available at [dor.sc.gov/policy](http://dor.sc.gov/policy).

## Social Security Privacy Act Disclosure

It is mandatory that you provide your Social Security Number on this tax form if you are an individual taxpayer. 42 U.S.C. 405(c)(2)(C)(i) permits a state to use an individual's Social Security Number as means of identification in administration of any tax. SC Regulation 117-201 mandates that any person required to make a return to the SCDOR must provide identifying numbers, as prescribed, for securing proper identification. Your Social Security Number is used for identification purposes.

## The Family Privacy Protection Act

Under the Family Privacy Protection Act, the collection of personal information from citizens by the SCDOR is limited to the information necessary for the SCDOR to fulfill its statutory duties. In most instances, once this information is collected by the SCDOR, it is protected by law from public disclosure. In those situations where public disclosure is not prohibited, the Family Privacy Protection Act prevents such information from being used by third parties for commercial solicitation purposes.