



STATE OF SOUTH CAROLINA  
DEPARTMENT OF REVENUE  
**DEFERRED INCOME TAXES  
FOR SOUTH CAROLINA**

Name

SSN or FEIN

	YEAR	AMOUNTS
1. Enter the prior three years and the amount of gross foreign trading receipts for each year.	_____	1. a. _____
	_____	b. _____
	_____	c. _____
2. Total foreign trading receipts. Add a, b, and c.		2. _____
3. Average of three years. Divide amount on line 2 by 3. If the amount on line 3 exceeds \$5 million, <b>DO NOT</b> complete the rest of this form.		3. _____
4. Foreign trading receipts for current tax year.		4. _____
5. Increase in foreign trading receipts. Subtract line 3 from line 4.		5. _____
6. Net income subject to tax from SC1120, SC1040, SC1041, or SC1065.		6. _____
7. Income caused by increase in foreign sales. Multiply line 6 by the ratio of the increase in foreign trade receipts (line 5) divided by total gross receipts. Partnerships, S Corporations, and LLCs see Instructions.		7. _____
8. Net income subject to tax after deferral. Subtract line 7 from line 6. If zero or less, enter zero.		8. _____
9. Compute tax on net income (line 6) according to tax rate for Corporation, Individual, or Fiduciary.		9. _____
10. Compute tax on net income after deferral (line 8) according to tax rate for Corporation, Individual, or Fiduciary.		10. _____
11. Deferred South Carolina Income Tax. Subtract line 10 from line 9.		11. _____

NOTE: The interest rate can be determined by applying the base period Treasury Bill (T-bill) rate to the Deferred South Carolina Income Tax on line 11. The T-bill rate is established annually by the IRS.

## INSTRUCTIONS

Taxpayers, except Domestic International Sales Corporations (DISC) or Foreign Sales Corporations, may elect to defer South Carolina Income Taxes attributable to the increase in gross income from foreign trading receipts.

"Foreign trading receipts" means receipts from invoices issued by a seller directly to an unrelated purchaser outside the United States from:

- (a) the sale, exchange, or other disposition of export property outside the United States;
- (b) the lease or rental of export property that is used by the leasee outside the United States;
- (c) the performance of services that is related and subsidiary to the sale, exchange, lease, rental, or other disposition of export property outside the United States by the South Carolina taxpayer including, but not limited to, maintenance and training services;
- (d) the performance of engineering, architectural, or consulting services for projects located outside the United States.

A portion of the tax on foreign trading receipts may be deferred as long as the base amount does not exceed \$5 million and the taxpayer pays interest annually on the aggregate deferred tax at the base period T-bill rate. Tax on foreign trading receipts may NOT be deferred if the taxpayer intentionally stops exporting property or if the taxpayer does not have gross income from foreign trading receipts for three tax years.

The interest is due on the date the taxpayer is required to file the annual return without regard to any extension. No interest is due on amounts deferred for less than an entire taxable year. If the taxpayer fails to pay interest as required, then all deferred taxes are due and payable on the annual return filing date.

The payment of deferred tax is due no later than the tax return filing date of the fifth tax year, following the taxable year for which the tax was first deferred.

Example: Tax deferred in 2011 is due with the tax return for 2016.

Deferred taxes may be paid at an accelerated rate. Failure to pay deferred taxes when due renders the taxpayer ineligible to defer payment of taxes for a subsequent tax year.

On the SC1120, enter the payment of deferred tax on line 8 or its equivalent and attach a statement. For other returns, enter the deferred tax on one of the other tax lines and write in "Deferred Income Taxes."

**Line 1** — Enter the annual gross income from foreign trading receipts over the three prior tax years. Foreign trading receipts are defined above.

**Line 6** — Enter the net income subject to South Carolina tax from the appropriate tax return. These returns include: an Individual, a Corporation, a Fiduciary of an Estate or Trust, a Partnership, or a Limited Liability Company (LLC) taxed as either a Partnership or a Corporation.

**Line 7** — If you are a Partnership, S Corporation, or LLC taxed as a Partnership, **DO NOT** complete lines 8-11 of this form. The amount on line 7 is the amount of deferred income from foreign trading receipts. Partners, shareholders or members of an LLC taxed as a Partnership must be furnished their prorata share of the Deferred Foreign Trading Receipts.

**Line 10** — Corporations must use the tax rate on the SC1120. Individuals and Fiduciaries must use the tax rate schedule provided for the SC1040 or SC1041.

File the completed SC SCH TD-1 with your tax return.