



SOUTH CAROLINA WITHHOLDING TAX INFORMATION GUIDE

PURPOSE

This information guide briefly explains the South Carolina income tax withholding law. It is not designed to answer all questions which might arise, but is intended to enable employers/withholding agents to become familiar with South Carolina income tax withholding requirements.

WHO MUST WITHHOLD

Every employer/withholding agent having an employee earning wages in South Carolina and who is required to make a return or deposit with the Internal Revenue Service shall make a return or deposit to the South Carolina Department of Revenue any taxes that have been withheld for state purposes. All South Carolina employers are required to withhold tax from employee wages at the same time employees are paid.

It is important to remember that South Carolina state taxes are withheld when wages are earned while working in South Carolina. An employee who works in another state but is a resident of South Carolina will have taxes withheld for the other state unless that state does not have an income tax. In that case, South Carolina taxes should be withheld since it is the employee's state of legal residence.

In addition to withholding from wages, South Carolina requires withholding from royalties, prizes, winnings, nonresident contractors (contracts exceeding \$10,000), and rental payments made to nonresidents who own five or more residential units or one or more commercial properties in South Carolina.

W-4 REQUIREMENTS

The IRS provides W-4 forms. There is no separate SC W-4 form. Secure a signed withholding exemption certificate from each employee. Employers should withhold at the rate of zero exemptions if no exemption certificate is provided. If the number of exemptions for federal and state are the same, only one federal W-4 form should be completed. If claiming a different number of exemptions for state than federal, a separate W-4 should be completed and marked "For State Purposes only". An employee is not allowed to claim a greater number of exemptions for state purposes than the exemptions claimed for federal purposes. If an employer receives a withholding exemption certificate from an employee claiming ten (10) or more withholding exemptions or the employer believes a certificate is incorrect, the employer must furnish a copy of the certificate to the South Carolina Department of Revenue (SCDOR) within 30 days. The employer should withhold on the basis of the certificate until notified by the SCDOR to withhold at a different rate.

HOW TO OBTAIN A WITHHOLDING NUMBER

You must apply for a SC withholding number in order to establish an account in which to deposit your payments. This can be done by selecting South Carolina Business One Stop (SCBOS) on our website, www.sctax.org or by completing SCTC-111 (Business Tax Application). The number entitles you to be a **withholding agent**. Should the ownership of the business change, such as conversion from a partnership to a corporation, a new withholding number must be obtained. If you are required to get a new federal identification number, you are also required to get a new SC withholding number. Your SC withholding number will start with a 25 and is a nine digit number. **You should reference this number on all returns, correspondence, and when any phone calls are made to the department.**

MAKING PAYMENTS - RESIDENT/NONRESIDENT

Employers/withholding agents registered to collect and remit South Carolina income tax withheld will receive the necessary book with forms for remitting the taxes. Each form in the book will be preprinted with the name and withholding number assigned to the withholding agent.

Employers/withholding agents (**resident and nonresident**) whose South Carolina withholding tax exceeds \$15,000 during a quarter or who make 24 or more payments in a year are identified and should pay electronically by either ePay or EFT by their due date. Any employer/withholding agent with less than \$15,000 per quarter may voluntarily submit payment electronically.

Resident employers/withholding agents are required to make payment of withholding taxes at the same time that their federal payments are due. Regardless of your state amount withheld, your payment is due at the same time that your federal payment is due.

Nonresident employers/withholding agents are required to make payments either quarterly or monthly. If the South Carolina state tax liability is less than \$500 for the quarter, the payment is due by the last day of the month following the end of the quarter. Once the withholding reaches \$500 or more during the quarter, it is due by the 15th of the following month. These payments can be made by one of the following ways.

METHODS OF PAYMENT

- ePay - You may submit your payment by electronic funds withdrawal (bank draft) or credit card by going to our website **www.sctax.org** and clicking on the DORePay icon. There is no pre-registration to use this feature.
- EFT - Payments can be made by internet or telephone. You must first register by contacting our EFT office at 1-800-476-0311 or 803-898-5740 if in the Columbia calling area.
- WH-1601- You may make your payment directly to the SCDOR using the Withholding Tax Payment coupon (WH-1601) when making a payment during the quarter. If you are required to make quarterly federal payments, you may make quarterly state withholding payments directly to SCDOR with the SC Withholding Quarterly Tax Return (WH-1605) or the SC Withholding Fourth Quarter/Annual Reconciliation (WH-1606). Mail payments to the address on the coupon or return.

FILING RETURNS

There are two types of returns - the WH-1605 and the WH-1606.

WH-1605 SC Withholding Quarterly Tax Return

All employers/withholding agents (resident and nonresident) must complete the WH-1605 for the first three (3) quarters of the year.

WH-1606 SC Withholding Fourth Quarter/Annual Reconciliation

All employers/withholding agents (resident and nonresident) must complete the WH-1606 if they had South Carolina withholding for any portion of the year. **Do not file a WH-1605 for the fourth (4th) quarter.**

A return must be filed for a quarter even if no tax is due and the SC withholding account is open.

METHODS OF FILING A RETURN

- eWithholding - You may file your return from our website at **www.sctax.org** by clicking on the eWithholding logo on our homepage. If a payment is due with the return, you will be able to make the payment by bank draft (electronic funds withdrawal) or by credit card when you file the return.
- TeleFile - You may TeleFile your return by calling 1-803-898-5918 as long as you do not owe anything with the return.
- By mail - Prepare your return (WH-1605 or WH-1606) and mail to the address listed on the return.

DUE DATES FOR FILING RETURNS:

First Quarter (WH-1605).....April 30th
Second Quarter (WH-1605).....July 31st
Third Quarter (WH-1605).....October 31st
Fourth Quarter/Annual (WH-1606).....Last day of February

WITHHOLDING TAX TABLES

Utilize the withholding tax tables to determine correct amounts to withhold.

ENTERPRISE ZONE ACT/RURAL DEVELOPMENT ACT

Employers/withholding agents who have qualified and been approved by the South Carolina Coordinating Council with the Department of Commerce may use a portion of the state income tax withheld from their employees as job development credits and/or employee retraining credits.

For additional Withholding information, go to www.sctax.org and click on Withholding. Select an area of interest from Electronic Services, Frequently Asked Questions (FAQ's), Forms, Publications or Other Topics.