



STATE OF SOUTH CAROLINA  
**PARTNERSHIP RETURN**  
**Tax Year 2009**

**SC1065**  
 (Rev. 8/3/09)  
 3087

Return is due on or before the 15th day of the fourth month following the close of the taxable year.

Mail to: **SC Department of Revenue, Partnership Return, Columbia SC 29214-0008**

For the year January 1 - December 31, 2009, or fiscal tax year beginning \_\_\_\_\_ 2009 and ending \_\_\_\_\_ 2010

		Check all boxes that apply:
FEIN:	▶ <b>SC File #:</b>	Check if this is the <b>first</b> SC1065 filed for this entity <input type="checkbox"/>
	County:	Check if this is the <b>last</b> SC1065 filed for this entity <input type="checkbox"/>
Total Number of Partners:	Number of Partners that are Not SC Residents:	Check here if <b>address</b> has changed <input type="checkbox"/>

**ATTACH A COPY OF FORM 1065 FEDERAL PARTNERSHIP RETURN AND COPIES OF ALL SCHEDULES.**

Read the instructions carefully and fill in all applicable lines and schedules.

Location of business property: City \_\_\_\_\_ State \_\_\_\_\_ Phone Number \_\_\_\_\_

**COMPLETE SCHEDULE SC-K FIRST**

**Schedule W-H Withholding Tax on Income of Nonresident Partners**

STAPLE PAYMENT HERE	1. Total from line 29, page 3, SC1065 .....	1.	
	2. Amount of line 1 income taxable to nonresident partners (from SC K-1s) .....	2.	
	3. Amount of line 2 exempt from withholding because of I-309 affidavit or composite filing .....	3.	
	4. Subtract line 3 from line 2, if less than zero, enter -0- .....	4.	
	5. Withholding tax due - line 4 times .05 (5%) .....	5.	
	6. Withholding from nonresident sale of real estate (Attach I-290) or SC Withholding from form 1099MISC .....	6.	
	7. Amount paid with extension SC8736 .....	7.	
	8. Add lines 6 and 7 .....	8.	
	9. Subtract line 8 from line 5. If zero or less, enter zero here. This is the amount due with this return. Refunds cannot be issued from the SC1065. An overpayment must be claimed and refunded at the partner level. ....	9.	<b>BALANCE DUE</b>

I declare that this return and all attachments are true, correct and complete to the best of my knowledge and belief.

14-0832

<b>Please Sign Here</b>	Signature of general partner or LLC/LLP member _____		Date _____
	I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes <input type="checkbox"/> No <input type="checkbox"/>		
<b>Paid Preparer's Use Only</b>	Preparer Printed Name _____	Check if self-employed <input type="checkbox"/>	Preparer telephone number _____
	Preparer signature _____		FEIN _____
	Firm's name (or yours if self-employed) and address _____		Date _____

**SCHEDULE SC-K PARTNERS' SHARES OF INCOME (LOSSES), DEDUCTIONS, CREDITS ETC.** (See instructions.)

\* Enter amounts from corresponding lines on your federal Schedule K in Column A.

	(A)* Amounts From Federal Schedule K	(B) Plus or Minus South Carolina Adjustment	(C) Federal Schedule K Amounts After SC Adjustments	(D) Amounts Allocated to SC	(E) Amounts Subject to Apportionment
1	Ordinary Business Income (loss)				
2	Net Real Estate Rents (loss)				
3	Other Net Rents (loss)				
4	Guaranteed Payments				
5	Interest Income				
6	Dividends				
7	Royalties				
8	Net Short Term Cap. Gain (loss)				
9	Net Long Term Cap. Gain (loss)				
10	Net § 1231 gain (loss)				
11	Other Income (loss)				
12	§ 179 Deduction				
13a	Contributions				
13b	Investment Interest Expense				
13c	§ 59 (e)(2) Expenditures				
13d	Other Deductions				
14	Total				

15. Amounts from federal Schedule K (line 14, Schedule SC-K, Col. A) . . . . .			15	
16. Amount Allocated to South Carolina (from line 14, Schedule SC-K, Col. D) . . . . .			16	
17. Net income (loss) subject to apportionment (from line 14, Schedule SC-K, Col. E). . . . .			17	
<b>APPORTIONMENT FACTORS FOR MULTISTATE BUSINESS (LINES 18 THROUGH 21-MULTISTATE ONLY)</b>				
18. SALES	TOTALS	SC		
Total Sales or Gross Receipts . . . . .				
Sales or Gross Receipts Percentage . . . . .		%		
<b>For apportionment based on gross receipts only, enter the sales percentage on line 22, skip lines 24 through 27, and enter the amount from line 23 on line 28. See instructions.</b>				
Multiply Sales Percentage by 2 (if you have an entry on Line 19 or 20)		%		
19. PROPERTY				
Total Owned and Rented Property				
Property Percentage . . . . .		%		
20. PAYROLL				
Total Wages and Salaries . . . . .				
Payroll Percentage . . . . .		%		
21. TOTAL PERCENT . . . . .		%		
22. Apportionment factor (average percent). 100% if operating entirely within SC (see instructions) . . . . .			22	%
23. Net business income (loss) apportioned to SC (line 17 multiplied by line 22) <b>If line 22 is 100%, skip lines 24 through 27 and enter this amount on line 28.</b> . . . . .			23	
24. Enter the sales percentage from line 18. . . . .			24	
25. Multiply line 17 by line 24. If Line 23 is less than Line 25, <b>STOP HERE</b> and enter amount from Line 23 on line 28 . . . . .			25	
26. Line 23 minus line 25 . . . . .			26	
27. For Tax Year 2009, multiply line 26 by 60% (.60). This is the reduction in SC taxable income allowed this year . . . . .			27	
28. Line 23 minus line 27 . . . . .			28	
29. Net business income (loss) taxable to SC (line 16 plus line 28). . . . .			29	

**INSTRUCTIONS FOR PARTNERSHIP INCOME TAX RETURN**  
**South Carolina Department of Revenue SC1065** (Rev. 8/3/09)

The references to line numbers and form numbers on federal income tax forms were correct at the time of printing. If they have changed and you are unable to determine the proper line to use, please contact the Department of Revenue. These instructions are to be used as a guide in the preparation of a South Carolina partnership income tax return and are not intended to cover all provisions of the law.

**A. Who Must File** - Every partnership (including any multiple member LLC not taxed as a corporation), domestic or foreign, doing business or owning property in South Carolina must file SC1065. Partnership income or loss is computed in the same manner and on the same basis as for an individual. Taxpayers carrying on business in a partnership are liable for income tax in their individual capacities. Each partner's return shall include his distributive share, whether distributed or not, of the net income or loss of the partnership for the taxable year. If a partner and partnership have different taxable years, the partner's return shall include income or loss reported by the partnership during the partner's taxable year.

**B. Filing Requirements** - File SC1065 and include the amount required to be withheld to the Department of Revenue by the 15th day of the fourth month following the end of the partnership's taxable year. **Within the same deadline, provide each nonresident partner with a federal Form 1099-MISC with "SC only" written at the top, showing the amount of the nonresident partner's withholding. Withholding is not required for any partner participating in a composite return, and for partners that provide an I-309 affidavit.** Along with SC1065 and payment of withholding, file a schedule disclosing the name, address, federal employer identification number (FEIN), income taxable to South Carolina, and tax withheld for each nonresident partner. Attach each federal K-1. Tiered or layered partnerships must withhold only once for activities of the partnership within South Carolina. Any related partnership must attach a statement explaining any pass-through withholding and provide a 1099-MISC "for SC purposes only" to each partner. Amend SC1065 whenever the Internal Revenue Service adjusts a federal form 1065.

**C. Balance Due With Return** - Payment must be made for any balance due amount calculated on the return. Make the check payable to the "SC Department of Revenue." Write the file number or federal employer identification number (FEIN) and "SC1065 and the year of the tax return" on the payment. **Staple** the payment to the front of the form in the indicated area. **NOTE:** refunds cannot be claimed through SC1065. An overpayment must be claimed and refunded at the partner level.

**D. Filing Requirements for Partners** - Any partner with income or loss must file a tax return regardless of tax liability.

**E. Composite Filing** - A composite return is a single nonresident individual income tax return (Schedule NR attached to SC1040) filed by a partnership on behalf of two or more nonresident partners who are individuals, trusts or estates. See SC form I-348 for instructions for filing a composite return. This information can be found on our website [www.sctax.org](http://www.sctax.org) in the individual income tax forms and instructions.

**F. Extensions** - A partnership may request an extension of time to file SC1065 by filing SC8736 by the 15th day of the fourth month following the end of the partnership's taxable year. When filing SC8736, include withholding of 5% of income taxable to South Carolina on all nonresident partners. However, you are not required to withhold on behalf of partners that (a) participate in a composite return, or (b) provide an I-309 affidavit stating that the taxpayer is subject to the jurisdiction of the SC Department of Revenue and the courts of South Carolina for purposes of determining and collecting tax, interest and penalties. Include all I-309s when filing SC8736. In lieu of SC8736, the Department of Revenue will accept a federal extension. Attach a copy of the federal Form 8736 extension and file the tax return within the extended period.

**G. Composite Extensions** - In order to extend the time allowed for filing a composite return, file SC4868 using the name and FEIN of the partnership, estimate the tax due, and pay the tax estimate on or before the 15th day of the 4th month following the end of the partner's taxable year. Do not use the SC8736 to extend the time allowed to file a composite return, file SC4868 instead. For tax years after 2004, nonresident partners may participate in composite returns even if they have other sources of income taxable to South Carolina. Disregard the other sources of income taxable to South Carolina when preparing the composite return. For more detailed information, see Revenue Procedure 92-5 on our website [www.sctax.org](http://www.sctax.org).

**H. Information To Be Furnished To Partners** - Supply a separate federal schedule SC K-1 to each partner. A schedule SC K-1 is a federal schedule K-1 reflecting the partner's proportionate share of South Carolina income. You may copy the completed federal K-1 and use footnotes to explain where and why South Carolina amounts are different from federal amounts. Partnerships receiving passive activity income and losses from investments located within and without South Carolina must furnish partners with detailed accountings of these amounts. Similar information must be furnished to partners who did not materially participate in the trade or business of a partnership engaged in multi-state operations. These partners may have nondeductible passive losses that cannot be used to offset interest and other business-related portfolio income apportioned to South Carolina.

**I. Acceptable Forms of K-1 Information** - If a partnership has a large number of partners, the Department will accept the K-1 information on a CD or floppy disk in any file format that is compatible with Microsoft Word, Excel or Access. Also, the information will be accepted in microfiche form as well as paper.

**J. Tax Credits** - Enter non-refundable tax credits on SC1040TC and attach to this return. Attach specific tax credit schedules to your return. Furnish a statement to each partner indicating the amount of credit allocated to that partner.

**K. Allocation and Apportionment of Income:** A taxpayer whose entire business is transacted or conducted in SC is subject to income tax based on the entire taxable income of the business for the taxable year. A taxpayer that transacts or conducts its business partly within and partly outside of SC is subject to income tax based on the portion of its business carried on in SC. This portion is determined through allocation and apportionment of income. SC Code §§12-6-2220 and 12-6-2230 provide that certain classes of income, less related expenses, are allocated. The income remaining after allocation is apportioned in accordance with SC Code §12-6-2240. SC generally requires the use of one of the following apportionment methods:

1) A "four factor" apportionment method (based on property, payroll, and double-weighted sales) or a "phased in" single factor apportionment method (based on sales) for taxpayers whose principal business in SC is dealing in tangible personal property. This method is typically used by businesses that manufacture, sell, or rent tangible personal property. Four factor apportionment ratio is the sum of the PROPERTY factor, the PAYROLL factor and twice the SALES factor, divided by 4. If two factors apply and one is SALES, the apportionment factor is twice the SALES factor plus the other factor, divided by 3.

The **PROPERTY** factor is the average value of real and tangible personal property not allocated that is owned or rented and used in South Carolina during the taxable year, divided by the average value of real and tangible personal property not allocated that is owned or rented and used everywhere. Tangible personal property is corporeal property such as machinery, tools, implements, equipment, goods, wares, and merchandise, but does not include cash, shares of stock, bonds, notes, accounts receivables, credits, special privileges, franchises, goodwill, or evidences of debt. The average value of property is usually determined by averaging the values at the beginning and end of the taxable year, but an average of monthly or daily values must be used if necessary to fairly represent the yearly average because of material changes during the year. **Inventory** is valued using the taxpayer's book accounting practices unless the Department determines that a different method more accurately reflects net income. If the taxpayer does not take or keep records of periodic inventories or if the method and time of taking the inventories does not accurately reflect the true average inventory, the Department may determine the average inventory from information available. **Owned property other than inventory** is valued at the original cost plus any additions or improvements without regard to deductions for depreciation, amortization, write-downs, or similar charges. If this method of valuation results in the taxation of more than 100% of the income of the taxpayer in all the states in which the taxpayer files a return, the Department may in its discretion adjust the value of property within this State to bring the percentage to 100%, but in no case can the South Carolina property be valued at less than 80%. **Rented and leased real and personal property** is valued at the net annual rental rate multiplied by 8, but the Department may require a different factor for rented or leased personal property if it better reflects the value. Net annual rental means the gross annual rate paid by the taxpayer, minus the gross annual rental rate received by the taxpayer for any sub rentals of real estate. No reduction in value is allowed for encumbrances. Property used in South Carolina does not include inventories of unmanufactured tobacco stored in a warehouse in South Carolina for shipment to a manufacturer in another state.

The **PAYROLL** factor is the total amount paid by the taxpayer for compensation in South Carolina during the taxable year, divided by total compensation paid everywhere. Compensation includes salaries, wages, commissions, and other personal service compensation not allocated that is paid or incurred in connection with the taxpayer's trade or business. South Carolina payroll includes all compensation paid to employees chiefly working at, sent out from, or chiefly connected with an office, agency, or place of business of the taxpayer in South Carolina. Exclude compensation paid to general executive officers having company-wide authority from the payroll factor.

The **SALES** factor is all sales of goods, merchandise and property in South Carolina to anyone other than the U.S. government, divided by total sales everywhere. The sale takes place where goods are received by the purchaser or his designee after all transportation is completed. Sales in South Carolina include all rentals not allocated from tangible personal property located in South Carolina and sales of intangible personal property and receipts from services of income-producing activities performed entirely within South Carolina. If the income-producing activity is performed partly within and partly without South Carolina, sales are attributable to South Carolina to the extent the income-producing activity is performed within South Carolina.

**NOTE:** The "single factor" apportionment method is being phased in for tax years beginning in 2007 – 2010. The "single factor" apportionment method will replace the "four factor" apportionment method for tax years beginning in 2011 for businesses dealing in tangible personal property. If the principal profits or income are derived from manufacturing, producing, collecting, buying, assembling, processing, selling, distributing or dealing in tangible personal property use four factor apportionment and adjust by claiming the appropriate percentage of any benefit gained from using SALES ONLY apportionment. (The percentage increases by an additional 20% each year until four factor apportionment is eliminated entirely in Tax Year 2011. See the table on page 5 for the applicable percentage.) For additional information see SC Code §§12-6-2250, 12-6-2252, and 12-6-2295.

2) A “gross receipts” apportionment method for taxpayers not dealing in tangible personal property. This method is typically used by financial businesses and service businesses, including businesses that install or repair tangible personal property, and contractors. This apportionment factor is SC gross receipts divided by gross receipts everywhere. See SC Code §12-6-2290 and 12-6-2295.

3) A “special” apportionment method provided in SC Code §12-6-2310 for certain companies, such as railroad companies, telephone companies, pipeline companies, airline companies, and shipping lines.

4) An individualized apportionment method tailored to a particular business because the normally required method would not fairly represent the extent of the taxpayer’s business in SC, or as an economic incentive.

See our publication [South Carolina Tax Incentives for Economic Development](#) for details. This publication can be found on our website at [www.sctax.org](http://www.sctax.org) under Publications, Information for Tax Professionals.

**L. Completing the SC1065** – The SC1065 is a three step process described below in general terms. Step by step instructions follow these brief descriptions.

1) Complete Schedule SC-K. Bring amounts from Schedule SC-K to lines 15, 16, and 17 on page 3.

2) Complete the Apportionment Factors for Multistate Business lines 18 -21 or go to line 22 if your business operates 100% within SC.

3) Complete Schedule W-H, Withholding Tax on Income of Nonresident Partners. Bring amount from line 29, page 3, SC1065 to line 1. Complete lines 2 – 9 if applicable.

# STEP-BY-STEP INSTRUCTIONS FOR SC1065

## STEP 1

## COMPLETING THE SCHEDULE SC-K

Schedule SC-K is a worksheet for making South Carolina adjustments to federal Schedule K items and showing the amount of these items that are allocated to South Carolina and amounts subject to apportionment.

**Column A Computation of Income:** Enter the amounts from Column A of federal Schedule K, lines 1 through 13d in the same line numbers of Column A of SC-K. Total Column A lines 1 - 13d and enter on line 14.

**Column B South Carolina Adjustment:** Include in Column B additions and subtractions resulting from differences between federal and South Carolina law. Show any income taxed by South Carolina but not subject to federal income tax, such as interest income received from states other than South Carolina, or their political subdivisions as an addition. Some other examples of additions are:

- Expenses deducted on the federal return related to income exempt or not taxable to SC.
- Federal bonus depreciation. For the year an asset is placed in service, add back the difference between the depreciation taken and the depreciation that would have been allowed without bonus depreciation. A subtraction resulting from a higher SC basis applies to all remaining years of depreciation.
- A nonresident seller of South Carolina real property who elects out of installment sales treatment must report the entire gain for the taxable year in which the sale took place. Show any income not taxed by South Carolina but subject to federal income tax, such as interest paid by the US government on US savings bonds, treasury bills etc. as a subtraction.

Total Column B lines 1 - 13d and enter on line 14.

**Column C Federal Schedule K Amounts after SC Adjustments:** This amount is the sum of Columns A and B.

**Column D Allocation of Income:** Allocation and apportionment statutes are located in SC Code Sections 12-6-2210 through 12-6-2320. After allocating the following items, all remaining items are subject to apportionment as described below. The following items must be allocated. List amounts allocated to South Carolina in Column D.

- **Personal service income:** Allocate personal service income, including guaranteed payments, to South Carolina if (a) the income is received by a resident individual or (b) the income is for services performed in South Carolina.
- **Gains and losses from sale of property:** Allocate gains and losses from the sale of **real** property, less all related expenses, to the state in which the real property is located, except that the amount of gain which represents the return of amounts deducted in South Carolina as depreciation is allocated to South Carolina. If a taxpayer's business is conducted partly within and partly without South Carolina, allocate gains and losses from sales of **tangible personal** property unrelated to the business activity of the taxpayer to the state in which the business situs of the investment is located, unless the business situs of the investment is partly within and partly without South Carolina. Allocate gains and losses from sales of **intangible personal** property not connected with the business of the taxpayer and not held for sale to customers in the regular course of business to a corporate partner's principal place of business and a noncorporate partner's domicile.
- **Rents and royalties:** Allocate rents and royalties from the lease of rental real estate or tangible personal property not used or connected with the taxpayer's trade or business during the year, less all related expenses, to the state where the property was located at the time the income was derived.
- **Interest and dividends:** Allocate interest and dividends not connected with the taxpayer's business, less all related expenses, to a corporate partner's principal place of business and a noncorporate partner's domicile.
- **Other income subject to allocation:** Any income, less all related expenses that are not otherwise allocated and that are unrelated to a taxpayer's business activity conducted partly within and partly without this State is allocated to the state in which the business situs of the investment is located. If the business situs of the investment is partly within and partly without South Carolina, the investment is apportioned using the same formula used for apportioning the net income of the corporation.

Total Column D lines 1 - 13d and enter on line 14.

**Column E Amounts Subject to Apportionment:** Enter the amounts in Column E that are **not allocated** to South Carolina or any other state. These amounts are subject to apportionment. Total Column E lines 1 – 13d and enter on line 14.

**Line 15** – Enter the amounts from federal Schedule K on line 14, Schedule SC-K, Column A.

**Line 16** – Enter the amounts allocated to South Carolina from line 14, Schedule SC-K, Column D.

**Line 17** – Enter the Net income (loss) subject to apportionment from line 14, Schedule SC-K, Column E.

**STEP 2****APPORTIONMENT FACTORS FOR MULTISTATE BUSINESS**

**NOTE:** If the entire trade or business of a partnership is carried on in this state, skip lines 18-21, enter 100% on line 22, skip lines 24-27, and enter the amount from line 17 on line 28.

If the business is multistate, complete line 18 to 29, as needed.

**Line 18** – Enter total sales or gross receipts in the first column and SC sales or gross receipts in the second column. Divide SC sales or gross receipts by sales or gross receipts everywhere and enter the percentage in the space provided. Compute all percentages to four digits to the right of the decimal.

**Line 19** – Enter total owned and rented property and compute the property percentage.

**Line 20** – Enter total wages and salaries and compute the payroll percentage.

**Line 21** – Total the sales, property, and payroll percentages and divide by 4 to compute the average percent.

**Line 22** – Enter the appropriate apportionment factor from line 18 or 21.

**Line 23** – Multiply line 17 by line 22 (If line 22 is 100%, skip lines 24-27 and enter the amount from Line 17 and Line 28.)

**Line 24** – Enter the sales percentage from line 18.

**Line 25** – Multiply line 17 by line 24. If line 23 is less than Line 25, STOP HERE and enter the amount from Line 23 on Line 28.

**Line 26** – Line 23 minus Line 25.

**Line 27** – Multiply Line 26 by the appropriate percentage.

Tax year beginning in	Percentage benefit
2007	20%
2008	40%
2009	60%
2010	80%

**Line 28** – Line 23 minus Line 27.

**Line 29** – Net business income (loss) taxable to SC (line 16 plus line 28).

**STEP 3****COMPLETING SCHEDULE W-H WITHHOLDING TAX ON INCOME OF NONRESIDENT PARTNERS**

**Important:** SC-K must be completed before entering any figures on lines 1-9.

**Line 1** – Enter the net business income (loss) taxable to South Carolina from line 29, page 3 of form SC1065.

**Line 2** – Enter the amount of line 1 income taxable to nonresident partners. (From SC K-1s)

**Line 3** – Enter any portion from line 2 which would be exempt from withholding due to form I-309 affidavit or composite filing.

**Line 6** – Enter the amount of withholding from nonresident seller real estate or South Carolina withholding from form 1099-MISC. (Attach supporting I-290 or 1099-MISC).

**Line 7** – Enter the amount paid with extension request, form SC8736.

**Line 9** – Subtract line 8 from line 5. If zero or less, enter zero. This is the amount due with this return.

**PLEASE NOTE:** Refunds cannot be issued from form SC1065 since this is an information return only. Any overpayment must be claimed and refunded at the partner(s) level.