



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
**CREDIT FOR S CORPORATION
BANK SHAREHOLDERS**

Name _____

SSN _____

- 1. Current year Individual Income Tax liability (from SC1040, line 6)..... 1. \$ _____
- 2. Current year tax on active trade or business income (from SC1040, line 8) 2. \$ _____
- 3. Total current year tax liability (add line 1 and line 2) 3. \$ _____
- 4. All other allowable credits you have claimed this tax year 4. \$ _____
- 5. Current year tax liability after other credits claimed (subtract line 4 from line 3) 5. \$ _____
- 6. Net income items or income and expenses of the bank 6. \$ _____
- 7. Percentage of ownership of the S Corporation (round to fourth decimal place) 7. _____ %
- 8. Prorata net income (loss) from the bank (multiply line 6 by line 7) 8. \$ _____

Before completing line 9 through line 13, you must complete a separate hypothetical South Carolina return excluding the prorata net income (loss) from line 8. Keep the hypothetical return with your tax records.

- 9. Recalculated tax due on active trade or business income (see instructions) 9. \$ _____
- 10. Recalculated Individual Income Tax due (see instructions) 10. \$ _____
- 11. Recalculated tax liability (add line 9 and line 10) 11. \$ _____
- 12. Recalculated total of all other allowable credits claimed for the tax year 12. \$ _____
- 13. Recalculated current year tax liability after other credits claimed (subtract line 12 from line 11) 13. \$ _____
- 14. Tentative credit (subtract line 13 from line 5) 14. \$ _____
- 15. South Carolina Bank Tax owed and paid by the S Corporation 15. \$ _____
- 16. Prorata share of Bank Tax paid by the S Corporation (multiply line 15 by line 7) 16. \$ _____
- 17. **Allowable credit** (enter the lesser of line 14 or line 16) 17. \$ _____
Enter on the SC1040TC.

INSTRUCTIONS

For calendar years beginning January 1, 2007, a taxpayer who is a shareholder in a bank that has a valid federal Subchapter S election is allowed a tax credit equal to the difference between:

1. their Individual Income Tax after all other credits, and
2. their Individual Income Tax after all other credits, but excluding their prorata share of the net items of income and expenses of the bank

The credit cannot exceed the taxpayer's prorata share of the S Corporation's Bank Tax.

Individual Income Tax includes:

- tax imposed on the individual, and
- tax on active trade or business income

Before completing line 9 through line 13, you must complete a hypothetical return excluding the prorata net income (loss) from line 8. Keep the hypothetical return with your tax records.

Line 9: Complete a hypothetical I-335 if you have elected to complete an actual I-335 with your return. On the hypothetical I-335, recalculate the tax due on active trade or business income if prorata net income (loss) from the bank to you as an S Corporation shareholder is excluded.

Line 10: Recalculate your Individual Income Tax due after excluding the prorata net income (loss) from the bank to you as an S Corporation shareholder, as well as the recalculated deduction for active trade or business income if it applies.

If you file by paper, attach to your Income Tax return. If you file electronically, keep a copy with your tax records.

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.