~~Indicates Matter Stricken~~

Indicates New Matter

AMENDED

May 18, 2011

**S. 36**

Introduced by Senators McConnell, McGill, Setzler and Ford

S. Printed 5/18/11--H.

Read the first time March 31, 2011.

**A** **BILL**

TO AMEND ACT 99 OF 2007, RELATING TO THE SALES TAX EXEMPTION FOR DURABLE MEDICAL EQUIPMENT AND SUPPLIES, BY REPEALING SECTIONS 1B AND 1C, WHICH STATE THAT THE SALES TAX RATE ON DURABLE MEDICAL EQUIPMENT IS FIVE AND ONE-HALF PERCENT SUBJECT TO FURTHER REDUCTION BASED ON GENERAL FUND REVENUE GROWTH.

Amend Title To Conform

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. A. SECTION 1B of Act 99 of 2007 is amended to read:

“B. (A) Notwithstanding the sales and use rates imposed pursuant to Chapter 36, Title 12 of the 1976 Code, the rate of tax imposed pursuant to that chapter on the gross proceeds of sales of items described in subsection A of this section is five and one‑half percent for such sales from July 1, 2007.

(B) Notwithstanding the sales and use rates imposed pursuant to Chapter 36, Title 12 of the 1976 Code, the rate of tax imposed pursuant to that chapter on the gross proceeds of sales of items described in subsection A of this section is three and one-half percent for such sales from July 1, 2011.

(C) Notwithstanding the sales and use rates imposed pursuant to Chapter 36, Title 12 of the 1976 Code, the rate of tax imposed pursuant to that chapter on the gross proceeds of sales of items described in subsection A of this section is one and three-quarters percent for such sales from July 1, 2012.

(D) Effective January 1, 2013, the sales tax exemption on the gross proceeds of sales of items described in subsection A is fully implemented and no sales and use tax may be imposed on the items described in subsection A.”

B. Act 99 of 2007 is amended by repealing SECTION 1C which reads:

“C. Beginning with the February 15, 2008, forecast by the Board of Economic Advisors of annual general fund revenue growth for the upcoming fiscal year, and annually thereafter, if the forecast of that growth equals at least five percent of the most recent estimate by the board of general fund revenues for the current fiscal year, then the applicable state sales and use tax rate imposed on items described in subsection A of this section is reduced, effective the following July first, by one and one‑half percent in the first year and by one percent every year thereafter. That reduced rate applies until a subsequent reduction takes effect. If the February fifteenth forecast meets the requirement for a rate reduction, the board promptly shall certify this result in writing to the Department of Revenue. On the July first that the rate attains zero, the provisions of subsections B and C of this section no longer apply.”

SECTION 2. A. 1. Section 12‑36‑90(1)(c)(iii) of the 1976 Code, as last amended by Act 161 of 2005, is further amended to read:

“(iii) tangible personal property replacing defective parts underwritten warranty contracts if:

(A) the warranty~~, maintenance, service, or similar~~ contract is given without charge~~,~~ at the time of original purchase of the defective property~~, or the tax was paid on the sale or renewal of warranty, maintenance, or similar service contract for tangible personal property of which the defective part was a component, whether or not such contract was purchased in conjunction with the sale of tangible personal property,~~;

(B) ~~in the case of a warranty, maintenance, service, or similar contract that is given without charge at the time of original purchase of the defective property,~~ the tax was paid on the sale of the defective part or on the sale of the property of which the defective part was a component~~,~~; and

(C) the warrantee is not charged for any labor or materials~~,~~;”

2. Section 12‑36‑90(2) of the 1976 Code, as last amended by Act 386 of 2006, is further amended by deleting subitem (l) which reads:

“(l) tangible personal property purchased by a person engaged in the business of servicing a warranty, maintenance, or similar service contract for use in replacing a defective part under the contract if tax was paid on the sale or the renewal of the contract and the customer is not charged for labor or material when the part is replaced.”

B. Section 12‑36‑910(B) of the 1976 Code, as last amended by Act 386 of 2006, is further amended by deleting items (6) and (7) which read:

“(6) gross proceeds accruing or proceeding from the sale or renewal of warranty, maintenance, or similar service contracts for tangible property, whether or not such contracts are purchased in conjunction with the sale of tangible personal property.

(7) gross proceeds accruing or proceeding from the sale or renewal of warranty, maintenance, or similar service contracts for tangible personal property, whether or not the contracts are purchased in conjunction with the sale of tangible personal property.”

C. Section 12‑36‑1310(B) of the 1976 Code, as last amended by Act 161 of 2005, is further amended by deleting item (6) which reads:

“(6) gross proceeds accruing or proceeding from the sale or renewal of warranty, maintenance, or similar service contracts for tangible personal property, whether or not such contracts are purchased in conjunction with the sale of tangible personal property.”

D. Section 12‑36‑2120 of the 1976 Code, as last amended by Act 280 of 2010, is further amended by deleting item (69) which reads:

“(69) the sale or renewal of a warranty, maintenance, or similar service contract for tangible personal property if the sale or purchase of the tangible personal property covered by the contract is exempt or excluded from the tax imposed by this chapter.”

E. Notwithstanding the general effective date provided in this act, the provisions of this section take effect on the first day of the third month beginning after the date of approval of this act.

SECTION 3. A. Chapter 54, Title 12 is amended by adding:

“Section 12‑54‑165. If a discount is allowed by law for the timely filing of a tax return and payment of the taxes due on the return with the department and the return and payment are received by the department after the date required to receive the discount, the taxpayer may apply to the department in writing for the discount to be allowed if the late filing and payment were caused by circumstances beyond the taxpayer’s control. For good cause shown in the application, the department may allow the discount.”

B. Notwithstanding any other effective date provided in this act, this section takes effect upon approval of this act by the Governor and applies for returns due to be filed for taxable periods beginning after July 31, 2010.

SECTION 4. Article 25, Chapter 36, Title 12 of the 1976 Code is amended by adding:

“Section 12‑36‑2691. (A) Notwithstanding another provision of this chapter, owning or utilizing a distribution facility within South Carolina is not considered in determining whether the person has a physical presence in South Carolina sufficient to establish nexus with South Carolina for sales and use tax purposes.

(B)(1) For purposes of this section, ‘Distribution facility’ means an establishment where only shipments of tangible personal property are processed for delivery to customers and no retail sales are made. The definition of ‘distribution facility’ provided in Section 12‑6‑3360(M)(8) for purposes of the targeted jobs tax credit and its provisions allowing limited retail sales at such a facility specifically do not apply with respect to a ‘distribution facility’ as defined for purposes of this section.

(C) This section only applies to a taxpayer that:

(1) places a distribution facility in service after December 31, 2010, and before December 31, 2013;

(2) makes, or causes to be made through a third party, a capital investment of at least one hundred twenty‑five million dollars after December 31, 2010, and before December 31, 2013;

(3) creates at least two thousand full‑time jobs which include a comprehensive health plan for those employees, after December 31, 2010, and before December 31, 2013. For purposes of this item, ‘full‑time’ and ‘new job’ have the same meaning as provided in Section 12‑6‑3360; and

(4) after meeting the requirements of item (3), maintains at least one thousand jobs until January 1, 2016.

(D) This section no longer applies on the earlier of:

(1) January 1, 2016;

(2) when the company fails to meet the requirements provided in subsection (C) of this section; or

(3) the effective date of a law enacted by the United States Congress that allows a state to require that its sales tax be collected and remitted even if the taxpayer does not have substantial nexus with that state.”

SECTION 5. Except where otherwise provided, this act takes effect upon approval by the Governor.

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