

Income/Franchise:

South Carolina DOR Updates Guidance on State Conformity and Nonconformity to Internal Revenue Code

South Carolina's Guide to IRC Conformity from 2018 – 2020, S.C. Dept. of Rev. (updated 9/21). The South Carolina Department of Revenue issued updated guidance “to assist South Carolinians in preparing their current year income tax returns and in preparing amended returns for a prior year,” summarizing “which federal income tax laws South Carolina currently conforms to, and the South Carolina tax consequences when South Carolina specifically does not adopt certain federal income tax laws and provisions.” The guidance reflects legislation enacted earlier this year [see H.B. 4017 (2021), and *State Tax Matters*, Issue 2021-20, for more details on this new law] that generally updates corporate and personal income tax statutory references to the Internal Revenue Code (IRC), referring to the federal law in effect as amended through December 31, 2020, but which specifically provides that certain amendments under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 (*i.e.*, P.L. 116-136) are *not* adopted for South Carolina income tax purposes, including:

URL: <https://dor.sc.gov/resources-site/lawandpolicy/Documents/Conformity%20Guide%202018-2020.pdf>

URL: <https://www.scstatehouse.gov/billsearch.php?billnumbers=4017>

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/STM/210521_9.html

1. IRC section 172(a) relating to the modification of the income limitations allowed for the use of net operating losses (NOLs) in tax years 2018, 2019, and 2020; and
2. IRC section 461(l) relating to the modification of the limitation on losses allowed for noncorporate taxpayers in tax years 2018, 2019, and 2020.

The guidance includes a list of Internal Revenue Code sections that specifically are *not* adopted by South Carolina. Please contact us with any questions.

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