

SCDMV Dealer Connection

Updates from SCDMV to You



New Sales Tax Rules

There have been some changes regarding the new tax rules that were previously communicated and discussed during SCDMV's conference call sessions. The following outlines the new procedures and changes.

Effective July 1, 2017, an Infrastructure Maintenance Fee (IMF) will be imposed on all **newly acquired AND registered** vehicles in SC at a rate of 5% of the sales price up to \$500. If the dealer holds a SC retail license or offers to license and register the vehicle, the dealer must collect the fee and **remit to SCDMV**.

This means that for every vehicle purchased from a dealership, the fee must be collected **AND submitted with the title work to SCDMV**. For instance, a vehicle sold for \$10,000 or more would impose the \$500 IMF, \$15 title fee, \$24 plate fee (for base plates), for a total of \$539 to be submitted to SCDMV. Previously, sales taxes were reported to SCDOR. The IMF and sales taxes will be reported to SCDMV. Financial institutions registering vehicles for their customers should also report the IMF to SCDMV along with title and registration fees. The sales price (minus trade values) must be indicated on the Form 400 for any sale less than \$10,000.

ALL IMF/SALES TAXES WILL BE REPORTED TO SCDMV ALONG WITH THE REGISTRATION AND/OR TITLE TRANSACTION. (This is a change from what was previously communicated).

Dealerships participating in the EVR program will be billed the IMF along with the plate fee, title fee, and EVR fee, via the EVR system.

On the sale of vehicles that will be registered in another jurisdiction, the SALES TAXES will be collected and reported to SCDMV via a form that will be prescribed by the Department. This form must be submitted within 45 days of the date of sale to the Department by mail. EVR dealers may include the form along with bundle reports. (This form is still under development and will be distributed prior to the 45-day deadline for July 1 sales).

Reciprocity with other jurisdictions and the same sales tax exemptions will apply to both the IMF and sales taxes. Use the same reciprocity rules that were previously applied to sales taxes. **At no time will a customer pay both IMF and sales taxes.**

The IMF fees and maximum tax increase will be applied to all transactions **sold** on July 1st or later. Vehicles sold prior to July 1st will remain at the \$300 cap and sales taxes for those transactions will be submitted to SCDOR as they are now.

The title application (Form 400) will be updated to indicate these fees. Please continue to use the existing title applications until the new ones are distributed.

In Summary:

- ◆ The maximum tax rate for motor vehicles have increased to \$500 from \$300 effective July 1, 2017.
- ◆ The taxes, i.e. infrastructure maintenance fee (IMF) and sales taxes will be reported to SCDMV with title only and registration and title transactions.
- ◆ The same exemptions apply as were with sales taxes.
- ◆ The same reciprocity rules apply as were with sales taxes.
- ◆ Non-resident sales require the IMF to be submitted to SCDMV using the same guidelines as were with sales taxes.

Continue to email any questions regarding these changes to cartaxes@scdmv.net.

New Procedures

Indicating Sales Price

With the reporting of the IMF and sales taxes to SCDMV effective July 1, the sales price of vehicles **MUST** be indicated on the title application in Section I minus trade-in. Previously, SCDMV indicated the sales price can be blank if the price is \$10,000 or over. However, the exact sales price, trade-in value, and tax credit (if applicable) must be indicated. Please see the illustration in this edition of an example to use until the new version of the Form 400 is published .

State-Wide Titling Classes

Please see our website for a list of titling classes once a month throughout the state.

To Schedule:

Call (803) 896-4870

Email: tcmscheduling@scdmv.net

Let us know immediately of any cancellations because there is often a wait list of individuals wishing to attend.

The June 21st class has been rescheduled to July 19th in Blythewood. Please call to reschedule or cancel if you were registered for the June 21st session.

Q&A Tax Conference Calls

SCDMV held conference calls with over 200 registered dealers the week of June 12th. The following are the questions and responses from those sessions (with the updated information). Additional conference calls will be held the week of June 26th (see right).

SCDMV Process

1. What about wholesale deals? Currently we do not charge taxes or register these. So neither tax nor IMF would apply?
The law change has no effect on existing wholesale deal processes. No IMF or sales taxes.
2. What about courtesy deliveries? We do usually register/tag/title these vehicles for the drivers, but we are not the seller. Would IMF apply to these lease deliveries?
Yes, IMF will apply anytime a vehicle is registered in South Carolina unless there is an exemption.
3. Can we get a preview of the new Form 400 so that we can try to get some programming set up to accommodate the sales price?
When the form is available, SCDMV will send out a copy. The design is not complete. DMV will provide time to implement the new form.
4. Are dealers charging 5% sales tax for vehicles under \$10,000 and 5% IMF Fee, capped at \$500.00, for vehicles over \$10,000? Are we understanding this correctly?
The sales tax and IMF are both 5% of the purchase price up to \$500 and are both paid at SCDMV at the time the vehicle is registered and/or titled. Customers will not pay both sales taxes and IMF.
5. If the vehicle is title only are we only charging 5% sales tax whether it is over or under \$10,000.00?
Yes, if the vehicle is title only, 5% sales tax up to \$500 is due to the Department of Motor Vehicles.
6. Isn't the IMF and the sales tax calculated the same? 5% Capped at now \$500.00 instead of \$300.00?
Yes
7. As a North Carolina Dealer do we pay the sales tax and IMF fees at the time of registration to SCDMV when we are processing our title work or do they get submitted via form prescribed by the department within 45 days of sale?
The IMF fees and sales taxes are due to SCDMV at the time of registration.
8. Currently, we title a vehicle tax free using our sales tax account number(s). We collect up \$300 sales tax from our customer, and remit on sales tax returns. Is the IMF going to be handled the same way?
Dealers will still collect the tax from the customer; and the taxes will be submitted along with the title transaction to SCDMV.
9. We have preordered 4 vehicles for a company and already gave them a price quote on what the purchase is going to cost. How will this work with the sale tax going up? Will we have to just contact customer and tell them it is now going to be an extra 200.00 per vehicle due to sale tax changing?
If the purchase date is July 1 or later, the sales taxes/IMF will be 5% up to \$500.
10. Who will we make our payments to?
IMF and sales taxes are paid to SCDMV at the time of the DMV transaction.
11. Can we use a credit card for payment?
SCDMV will accept credit card payments in the branch offices. However, when sending funds to headquarters, a check or money order must be submitted.

Car Tax Conference Calls

SCDMV will be conducting additional conference calls to discuss the Sales Tax changes the week of June 26th. During these calls, SCDMV will answer any questions dealers may have on the changes that will take effect on July 1. Please email questions to cartaxes@scdmv.net. Use the same email to register for the conference call at one of the sessions listed below.

Registration confirmation will be sent beginning Monday, June 26th.

The conference login number will be emailed to the registrant's address shortly before the call time.

Wednesday, June 28th

1. 10:00 a.m. – 11:00 a.m.
2. 1:00 p.m. – 2:00 p.m.
3. 3:00 p.m. – 4:00 p.m.

Thursday, June 29th

1. 10:00 a.m. – 11:00 a.m.
2. 1:00 p.m. – 2:00 p.m.
3. 3:00 p.m. – 4:00 p.m.

Vehicles Initially Registered Out of State

Also, included in the Infrastructure and Economic Development and Reform Act, is the provision that the infrastructure maintenance fee is imposed when a vehicle required to be registered in South Carolina that was first registered in another state by the owner is subsequently registered for the first time in South Carolina by the same owner. The IMF for this provision is \$250.

For example, if a person living in Georgia purchased a motor vehicle and first registered it with in Georgia, then that person would owe the \$250 Infrastructure Maintenance Fee when that person moves to South Carolina and registered the vehicle with SCDMV.

The \$250 fee for a vehicle registered out-of-state and later registered in South Carolina does not apply if the owner of the item is serving on active duty in the armed forces of the United States. The \$250 fee also does not apply to a spouse or dependent of a person serving on active duty

Competent, Committed
and Courteous



12. How does a dealer handle a customer who paid cash and wants to go to DMV himself to register his vehicle? Is that sales tax collected here and when they get to DMV, its put on our bill? Or do we not collect it at all, and the customer pays on the counter out of their own pocket when they get there.
Dealers should collect the taxes to be reported, as with any other sale. The customer will pay the dealer the cash price of the vehicle plus taxes. The dealer invoice will indicate taxes were paid. The taxes should then be reported to SCDMV.
13. If you sold a car for 12000 with a trade-in of 7000, would you pay IMF on the difference of 5000 (or \$250) or would you have to pay in 500 IMF since the initial price of the sold car is > 10000?
The IMF will be \$250 (5% of \$5000).
14. If you sold a car for 15000 and traded in a car worth 15000, what would be the IMF?
The IMF will be \$0 (5% of \$0).
15. Since a new plate is not being issued when transferring a plate does the IMF apply?
A new plate is not issued; but, the vehicle IS registered with the transfer. IMF will apply.
16. Will there be a separate box on the new Form 400 that will need to be checked to indicate the IMF?
The form 400 is being updated to indicate that IMF or sales taxes will be due. There won't be a need to check a box.
17. We take new cars and tag and title them into our name, then they are used by various clients. After a certain amount of time those cars are then removed from the loaner program and now sold on the lot as used cars. So would we have to pay the fee on them when we tag them? And would the customer who now comes in a buys that same car as a used car have to pay the fee?
If the vehicle is registered, IMF will be due when they are tagged. When you sell them and subsequently register them for customers, IMF or sales tax will be due on the sales price for the customers.

Indicating Sales Price on the Form 400

The following are typed and handwritten examples of how the sales price, trade in and tax credit should be indicated on the Form 400 until the new forms are distributed. Note, indicate trade-in and/or tax credit only if applicable.

SECTION I - SELLER INFORMATION					Applicant should initial verifying the sales price of the vehicle.	
SELLER OR DEALER NAME	SC DEALER/WHOLESALE NUMBER	SC SALES TAX NUMBER	SALES PRICE	CUSTOMER INITIALS		
SCDMV Auto Sales	00000	00-00000	\$20,000-\$2,500 = \$17,500	Tax Credit = \$250		
ADDRESS		CITY	STATE	ZIP CODE		
10311 Wilson Blvd.		Blythewood	SC	29016		

SECTION I - SELLER INFORMATION					Applicant should initial verifying the sales price of the vehicle.	
SELLER OR DEALER NAME	SC DEALER/WHOLESALE NUMBER	SC SALES TAX NUMBER	SALES PRICE	CUSTOMER INITIALS		
SCDMV Auto Sales	00000	00-00000	\$20,000			
ADDRESS		CITY	STATE	ZIP CODE		
10311 Wilson Blvd.		Blythewood	SC	29016		
SECTION J - INSURANCE CERTIFICATION						
A VEHICLE MUST BE INSURED WITH LIABILITY INSURANCE COVERAGE WHEN IT IS REGISTERED AND IT MUST REMAIN INSURED WHILE REGISTERED, WHETHER OR NOT IT IS OPERATED, OR THE UNINSURED MOTORIST FEE MUST BE PAID. PENALTIES ARE SEVERE FOR VIOLATION OF THIS REQUIREMENT.						
Trade = \$2,500 Credit = \$250.						

Reporting the Tax

18. I currently fill out the form ST-455 every month to pay sales tax, it sounds like that will go away and I will pay it directly to the SCMDV when I title vehicles?
For vehicles titled or titled and registered, the IMF is paid at the time of the transaction to SCDMV. You will note the deduction on the ST-455 to send to the Department of Revenue. SCDOR will be communicating instructions regarding the changes.
19. How do we submit through SCDOR for sales and use tax and show wholesale and out of state exempt customers?
None of your SCDOR procedures will be changing. If you have to report sales and use tax for vehicles that are not titled or titled and registered, you follow SCDOR's established procedures.
20. Do we use the same ST-385 form for out of state purchases that we do now? Or is that only for a title only transaction to report to SCDOR?
The ST-385 should be kept on file regarding out of state purchases. SCDOR will be communicating instructions regarding the changes.
21. We close out each month and sales tax is calculated and paid for transactions in that month....How will this change with reporting to the DMV? Will this be a per transaction basis, as long as it is registered and forms are sent in within 45 days?
Yes. The IMF fee or sales taxes is reported at the time of registration at SCDMV.
22. Since we are submitting the \$500 (IMF) to the SCDMV, how is that going to affect how we remit our sales tax to the state?

Nothing will change how you are remitting taxes to the SCDOR if you still have that requirement for transactions that are not required to be titled and/or registered.

23. My question is what is the penalty charge/late fee if the IMF fee or sales taxes goes over the 45 days. As this occasionally happens.
There is no penalty or late fee if the IMF fee goes over the 45 days. However, the vehicle cannot be titled or registered until this fee is paid. Registration penalties will be applied to the transaction.

SC Resident Vehicles Registered Out of States

If a dealership sells a vehicle to a resident of South Carolina who wishes to register their vehicle in another state, the dealer must collect IMF in the amount of 5% of the sales prices (minus trade), up to \$500. This IMF is also reported to SCDMV using the form for out of state sales. This form is still under development and will be distributed prior to the 45-day deadline for July 1 sales.

Move to SC Tax

24. Many of my vehicles have out of state titles, I hope that when I go to register the vehicles for my customers, I am not having to collect the additional \$250 fee?
The \$250 fee is due for customers who are registering vehicles in South Carolina whose vehicle is currently registered in their name in another state. That is not newly acquired vehicles.
25. If the dealership purchases a car from an owner with an out of state title...are we required to pay the \$250 IMF fee if we are retailing it?
No. The \$250 fee is for persons moving into SC who already have a vehicle in their name in their prior state.
26. *(This question is from a financial institution.)* We understand that if a member has a free and clear out of state title, the member will pay the new \$250 IMF. We also understand that members may come in requesting to register in SC and the SCDMV will send us (the lienholder a request for the out of state title), and they will pay the \$250 IMF in person. In the case that we, the financial institution, are refinancing a vehicle that is titled out of state and the member wants to register in SC at the same time, do we collect the \$250 IMF and send it along with the out of state title and SC title application, or will the SCDMV bill the member for the \$250 later?
The IMF fee or sales taxes is due at the time of the registration and title transaction.

Refunds — *Note that SCDMV is still working the Refund Process and will communicate when this information is finalized.*

27. According to the new sales tax law, sales tax must be paid when the vehicle is registered. What if a customer buys a car and then we register the car (with sales tax being paid), but later the customer returns the car and customer is refunded the money? Or what if the vehicle is repossessed? How would the sales tax be refunded?
If the vehicle was registered and the customer returns the vehicle, the dealer will apply for a refund. Refund procedures will be communicated in more detail at a later date.

If the vehicle is repossessed, the vehicle was still sold by the dealer. No refund is due.

Discounts/Exemptions

28. Will SC owners age 85+ receive the 1% discount they currently get on SC Taxes for the IMF? If so, how will this be processed as a 1% discount exemption?
There is no legislation to support a discount on the IMF for persons 85 years old or older. Individuals 85 years old or older receive a discount on mobile home sales taxes; but, this does not apply to motor vehicles.
29. Is it in your opinion that any person on active duty, no matter where they are stationed does not have to pay the \$250.00 fee? Even if they are not considered a resident since they are not stationed in this state?
If they are purchasing a new vehicle and is not a resident of the state, they will not have to pay the fee to register the new vehicle. They should submit an LES with the transaction to receive the exemption.

If they are active duty military and move into SC. Any vehicles currently registered in another jurisdiction, can be registered without the \$250 fee for them and their dependents.
30. What is the SCDMV required documentation needed for a military exemption so the customer does not have to pay the \$500 IMF when a dealer registers the customers vehicle?
Individuals in the military will need to submit a Leaves and Earnings Statement (LES) indicating the jurisdiction of residence.
31. Is military exempt from the \$500 IMF fee? If they are a non-resident (shown on the LES)
32. Are leases handled the same way as retail? Yes

Leases/Rentals

33. How do these sales tax changes affect lease contract? *The procedures and rules for sales are the same for leases.*
34. Is there also an additional sales tax requirement at the end of a lease if a customer chooses to purchase?
If the titled owner changes at the end of the lease, taxes are due on the transfer.

35. How do these sales tax changes affect a short-term rental?

These sales tax changes are for newly titled vehicles. On short term rentals, the titled owner does not change. These are not newly acquired vehicles, nor vehicle sales. Therefore, these changes do not affect short term rentals.

Electronic Vehicle Registration (EVR) (the infrastructure for EVR transactions is still in development. SCDMV estimates completion before August 15th)

36. Will we be remitting the sales tax through EVR (CVR, TitleTech, DDI) when we do a transaction or when we send transactions to our local DMV office will we be paying sales tax then?

If you are an EVR dealer, the IMF fees will be billed along with the title and registration transaction via the EVR system. If you go to your local DMV office, the IMF fees will be paid at the local branch with the title and registration fees.

RECIPROCITY (dealers should follow the same reciprocity rules previously used for Sales Taxes; the Department is unable to provide a list of reciprocal states. Information on reciprocity can be obtain for the SC Department of Revenue Information Letter #14-2)

NON-RESIDENT SALES TAXES

On the sale of vehicles that will be registered in another jurisdiction, **SALES TAXES** will be collected **and reported to SCDMV** via a form that will be prescribed by the Department. This form must be submitted within 45 days of the date of sale to the Department by mail. EVR dealers may include the form along with bundle reports.

The same rules apply to the **SALES TAXES** collected in these cases as they do for sales taxes for non-residents prior to July 1st.

Per SCDOR rules, sales taxes due on a sale to a nonresident of a motor vehicle that is to be registered and licensed in the nonresident purchaser's state of residence, is the lessor of the sales taxes imposed in the purchaser's state of residence or the tax applied in South Carolina. No tax is due in South Carolina if a nonresident purchaser cannot receive a credit in his resident state for the tax paid to South Carolina.

37. If a GA (non-reciprocal) resident buys a car do we keep \$500 IMF fee?
No IMF is due since Georgia does not impose a sales tax on the sale of a motor vehicle. The dealer would record the vehicle information on DMV's form, indicate the state of residence and mark no taxes due.
38. If a FL (reciprocal) resident buys a car do we keep \$500 IMF fee?
Report the IMF fee to SCDMV. Since a 6% state rate is imposed on the sales price less trade in allowance, South Carolina's 5% rate will apply as it is the lessor of the two rates.
39. When I sell to out of state customers (mostly NC and GA) I do not collect sales tax, will that change?
On the sale of vehicles that will be registered in another jurisdiction, sales taxes will be collected and reported to SCDMV via a form that will be prescribed by the Department. This form must be submitted within 45 days of the date of sale to the Department by mail. Please see the additional information outlined above.
40. If we sell to a customer that lives in a state that isn't a reciprocal, will we charge the IMF fee?
Whether or not to charge sales taxes will depend on if sales taxes are collected in the customer's home state. See the additional information outlined above.
41. If a dealer sells a vehicle to a SC resident and titles and registers the vehicle, it must charge the IMF and remit it to the DMV. The calculations for the fee are the same calculations that would have been used for sales and use tax (including exemptions). Is that right? **Correct.**
42. If a dealer sells a vehicle to a non-resident (e.g., a NC customer buying in SC), then the dealer must charge the IMF and remit it to the state via the state's form provided. Is that right?
That is correct. For instance, because NC has a 3% tax rate, there is a rule that states you collect the lessor of the two taxes.
43. What about the fact that under SC's current approach, whether an out-of-state customer is charged sales tax at all when purchasing in SC depends wholly on the reciprocity rules in place? Does that have any impact any more – or is the dealer supposed to charge this fee to ALL out-of-state customers, regardless of what reciprocity laws say? **Correct, see response above.**