South Carolina Code Section 12-8-550 requires persons hiring or contracting with a nonresident taxpayer (vendors who do not reside in South Carolina) to withhold 2% of each payment made to the nonresident where the payments under the contract exceed $10,000 in any one calendar year. Payments subject to state withholdings are reported on IRS Form 1099-MISC at calendar year end. Vendors who provide Form SC Form I-312 will be exempt from this withholding.

**Contracts**

MUSC is required to withhold 2% on all personal service contracts exceeding $10,000. If a contract is for less than $10,000, no withholding is required. However, if payments exceed $10,000 on a contract that was originally less than $10,000, MUSC is required to withhold at the point the payment exceeds $10,000. In contrast, if the original contract is greater than $10,000, MUSC is required to withhold on all payments.

**Example 1:** Original contract is $8,000. As of November 15th, the total amount paid is $7,500. Additional work is done in December so an additional $5,000 is charged. This charge brings the contract amount over $10,000. Therefore, the payer is required to withhold 2% on the $5,000 payment and none on the first $7,500.

**Example 2:** Original contract is $11,000. Payer is required to withhold on all payments made under the contract.

**Personal Property**

MUSC does not withhold on payments for personal tangible property that are not accompanied by services performed in the state of South Carolina.

**Purchase Orders**

Purchase orders are accounted for differently than actual contracts. Each P.O. stands alone in determining whether the $10,000 threshold amount is exceeded. This means that there could be several P.O.s with the same vendor that in aggregate exceeds $10,000. If each separate P.O. is less than $10,000, MUSC is not required to withhold.

**Related Links:**

- SC Form I-312
- SC Code of Laws – Title 12

The administrative office of the Medical University of South Carolina (MUSC) does not advise on any tax, legal or accounting matters. Any reference to U.S. federal, state, local or international tax documents provided by MUSC is to be used for informational purposes only. Inferences made based on such documents are the responsibility of the taxpayer and do not reflect the views of MUSC. Taxpayers
seeking professional tax guidance should contact an independent tax adviser.

Medical University of South Carolina
Tax Compliance Office
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