

# South Carolina Municipal Clerk Treasurers Institute

September 11, 2013

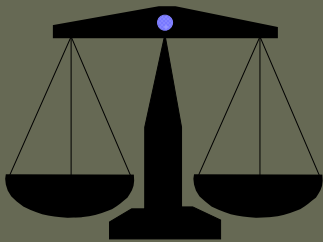
## Overview of Business License Administration

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Business License revenues represent a significant portion of most municipal budgets. This comprehensive session will provide participants with the basic skills and knowledge to adopt and implement business license ordinances and collect business taxes

## State Law Authorization

SC Code Section 5-7-30  
Gross Income



## What is a Business License?



**Excise Tax Levied on the Privilege of Doing Business**

## Exceptions

- ◉ **Annexed Business**
- ◉ **Counties - S.C. Code Sec. 4-9-30(12)**

## Exempt Businesses

- ◉ Air express & passenger transportation
- ◉ Alcoholic liquors
- ◉ Banks & building loan companies
- ◉ Buses – intra & interstate
- ◉ Carries – Certificate A & B (others may be licensed only at principal place of business)
- ◉ Credit Unions, state & federal
- ◉ Marketing cooperative associations

## Exempt Businesses (cont'd)

- Mutual benevolent aid associations
- Wholesalers not having place of business within a municipality
- Workers compensation insurance premiums
- Satellite television service programming transmitted by satellite directly to a subscriber's premises

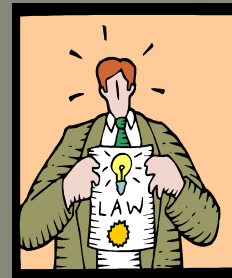
## Limitations of licensing

- Billiard tables & coin operated machines must have state license and are subject to special rules
- Fire insurance premiums limited to 2%
- Lenders on loans secured by real estate are limited to location of office
- Railroads – fee based on population
- Telecommunications providers – limited to 1% license rate

## Franchises

- **NOT a Business License**
- **Charge for the Use of Public Streets**
- **Normally for Placement of Lines in Streets or on Public Property**
- **Agreement is a Contract**
- **Not Necessarily Exclusive**
- **Counties have Same Right**

## Regulation ...



## Reasonableness ...



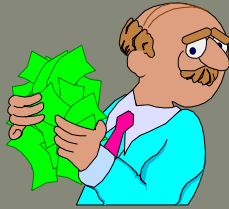
## Interpretation ...



License Official's  
Responsibility

## Doing Business?

- Place of Business
- Limited Activity
- Collection of Money
- Sales
- Regular Conduct



## Classification

- Industrial Classification Systems (NAICS)
- Equal Protection
- Nonresidents
- Ability to Pay

## Gross Receipts

- All Receipts, as defined by Sect. 61 of the IRS Code
- Not Based on State or Federal Taxable Income
- No Deductions for Expenses
- Levied on the Privilege of Doing Business
- Some Items Non-Taxable by Statute
- Federal Government Territory
- Outside Income

## Rates and Fees

- Function of City Council
- Flat Fees Not Allowed
- Prorated When Annexation Occurs
- Multiple Operations
- Calculation of Fees

## Example of Class Rates

Rate Class	Gross: 0 - \$2000	All over \$2000
	Minimum Fee	Rate per Thousand or fraction thereof
1	\$25	\$1.00
2	\$30	\$1.20
3	\$35	\$1.40
4	\$40	\$1.60
5	\$45	\$1.80
6	\$50	\$2.00
7	\$55	\$2.20
8.1	\$ Taxi	\$
8.1A	\$ set by State statute	
8.2	MASC	
8.3	Telecommunications	
8.4	MASC Insurance	
8.5	\$12.50+\$12.50 per machine	
8.5	\$12.50+\$180 per machine	

## OFFICE PROCEDURES

- ✓ FOIA
- ✓ Assistance to Taxpayers
- ✓ Require Sufficient Information
- ✓ Develop Administrative Checklist
- ✓ Forms
- ✓ Public Records Act

## Enforcement

- License Renewal/Penalties
- Issue Ordinance Summons
- Assessment
- Audits
- Field Inspections



## During Renewal

- Must Have Late Enough Renewal Date
- Use Tax Returns when available
- Politely Challenge Suspect Information
- Warn of Possible Audit



## After Renewal



- Sales Tax Report
- Building Permits & Contractors Sub-lists
- Phone Book

## Denial/Revocation



- Must be in License Ordinance
- Can not "close the doors"
- Can be lengthy process

## Questions?

