South Carolina Code Section 12-8-550 requires persons hiring or contracting with a nonresident taxpayer to perform services in SC to withhold 2% of each payment made to the nonresident where the terms of 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 and register with SC 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
- Registration with South Carolina
  [https://www.scbos.sc.gov/](https://www.scbos.sc.gov/)

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Medical University of South Carolina
Tax Compliance Office
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