


Business License Tax Administration


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What is a business license?

- Dates to 1872
- An excise tax levied on the privilege of doing business
- State Law Authorization
 - SC Code Section 5-7-30 (Cities)
 - SC Code Section 4-9-30 (Counties)
 - SC Code Section 6-1-400 thru 6-1-420 (Act 176)
- Not an income tax



Statewide v. Local Licensing

- Franchise fees v. business license
- Tax collection programs
- Local licensing



Franchise Fees v. Business License

- Franchise fees are not a business license
 - Charge for the use of public streets
 - Agreement is a contract



Local Revenue Services Programs

- Consolidating the collection of taxes through the Municipal Association results in increased efficiency, accuracy, and cost savings for cities and towns.
- Formerly known as Collections, now Local Revenue Services
- New ordinances, agreements, and participant supplement



Tax Collection Programs

- Brokers Tax Program
- Insurance Tax Program
- Telecommunications Tax Program



Brokers Tax Program

- Insurance companies not licensed to directly sell policies in the state can provide coverage through South Carolina licensed brokers. These brokers provide insurance for unusual risks.
- Brokers pay a 4% state tax and a 2% municipal tax on these policies.
- As a result of the federal Dodd-Frank law of 2010 and legislation the South Carolina General Assembly passed in 2012, the S.C. Department of Insurance collects both the state and local tax. The Municipal Association, as designated by state law, then distributes to cities and towns the municipal portion of the tax.



Brokers Tax Program

- The law requires the SC Department of Insurance to collect the brokers premium tax and deposit all revenue collected in to a special fund.
- The SCDOI is required to give the Association a full accounting, including the name and address of the broker, amount collected from each broker and the location of the risk covered by the insurance.
- In 2023, the Association disbursed \$29 million.



Insurance Tax Program

- In 1994, the Association expanded the program to collect current business license taxes from insurance companies.
- Participating municipalities adopt a standard ordinance for insurance company business license taxes.
- 2% tax on property, casualty, title, and fire insurers.
- 0.75% on life, accident, and health insurers.



Insurance Tax Program

- To ensure accurate payment, the Association's staff analyzes current and past reported municipal premiums to check for significant fluctuations of premiums, confirms the accuracy of risk and agent data, and reconciles the company's reporting to cities with the total statewide taxable premiums reported to the SC Department of Insurance.
- In 2023, the Association disbursed \$228 million.



Telecommunications Tax Program

- The Municipal Association collects business license taxes due to municipalities from telecommunications companies.
- Annually in December, Association staff sends a notice to all telecommunications companies doing business in South Carolina for the municipalities participating in the program.



Telecommunications Tax Program

- Participating municipalities adopt a standard ordinance levying a business license tax on telecommunications companies as allowed by the SC Telecommunications Act of 1999.
- 1% tax on recurring voice charges
- In 2023, the Association disbursed \$5.4 million.




Local Licensing

- Typically one of largest municipal revenue sources
- Business friendly
- Consistently and fairly enforced by municipality




Act 176: SC Business License Standardization Act

- SC Code Section 6-1-400 thru 6-1-420
- Standardized License Year and Due Date
- Standardized Class schedule
- Standardized Application
- Mandatory Usage of the Online Portal




Business License Year Timeline

- License year is May 1 to April 30
- Gross Income is based on prior calendar year (January 1 to December 31) OR business' fiscal year
 - Contractors may choose to pay per job
- Due date is April 30
- Standard penalty in the model ordinance is 5% per month



Class Schedule

- North American Industry Classification System (NAICS)
- Equal Protection
- Non-Residents
- Ability to Pay
- Set by state law



APPENDIX B
Classes 1 - 8: Business License Class Schedule by NAICS Codes

NAICS Sector/Subsector	Industry Name	Class
11	Agriculture, forestry, hunting and fishing	1
21	Mining	2
22	Utilities	1
31-33	Manufacturing	3
42	Wholesale trade	1
44-45	Retail trade	1
48-49	Transportation and warehousing	1
51	Information	4
52	Finance and insurance	7
53	Rental, leasing and leasing	7
54	Professional, scientific, and technical services	5
55	Management of companies	7
62	Administrative and support, and waste management and remediation services	3
81	Educational services	3
92	Health care and social assistance	4
71	Arts, entertainment, and recreation	3
72	Accommodation	1
73	Food services and drinking places	1
84	Other services	4
Class 8	Subsector	
81	Construction	8.1
442	Rail Transportation	8.1
81111	Other Telecommunications Carriers	8.2
81112	Wireless Telecommunications Carriers (except satellite)	8.2
81113	Agents for Wireless Telecommunications Services	8.2
8241	Insurance Carriers	8.4
8242	Insurance Brokers for non-admitted Insurance Carriers	8.4
711120	Amusement Parks and Arcades	8.11
711130	Navigation, Amusement and Recreational Attractions	8.12
711190	All Other Amusement and Recreational Industries (not tabled)	8.6

2022 Class Schedule is based on a three year average (2017 - 2019) of IRS statistical data.


NAICS Codes and Class Schedule Timeline

Act 176, the Business License Modernization Act, establishes a standard class schedule, where businesses are placed into classes using the latest edition of North American Industry Classification System codes instead of profitability. **The class schedule must be updated every two years and approved by ordinance.** The Municipal Association of SC will provide a simple ordinance for every update. **The NAICS code is revised and updated every five years** to keep the classification system current with changes to economic activities. The update to the NAICS code does not require an ordinance or approval by council.

<p>2023</p> <ul style="list-style-type: none"> • Use 2023 NAICS • Use 2023 Class Schedule to the: Post new class schedule for 2024 (new ordinance required) 	<p>2028</p> <ul style="list-style-type: none"> • Use new 2027 NAICS • Use 2027 Class Schedule to the: Verify of NAICS codes to make sure they are accurate.
<p>2024</p> <ul style="list-style-type: none"> • Use 2023 NAICS • Use 2023 Class Schedule 	<p>2029</p> <ul style="list-style-type: none"> • Use 2027 NAICS • Use 2027 Class Schedule to the: Post new class schedule for 2030 (new ordinance required)
<p>2025</p> <ul style="list-style-type: none"> • Use 2023 NAICS • Use 2023 Class Schedule to the: Post new class schedule for 2026 (new ordinance required) 	<p>2030</p> <ul style="list-style-type: none"> • Use 2027 NAICS • Use 2029 Class Schedule
<p>2026</p> <ul style="list-style-type: none"> • Use 2023 NAICS • Use 2023 Class Schedule 	<p>2031</p> <ul style="list-style-type: none"> • Use 2027 NAICS • Use 2029 Class Schedule to the: Post new class schedule for 2032 (new ordinance required)
<p>2027</p> <ul style="list-style-type: none"> • Use 2023 NAICS • Use 2023 Class Schedule to the: Post new class schedule for 2028 (new ordinance required) 	<p>2032</p> <ul style="list-style-type: none"> • Use 2027 NAICS • Use 2031 Class Schedule

Role of the Council

- Ordinance
 - Class Schedule Updates
 - Set Rates
- Economic Development Incentives
 - §6-1-400(H)(2)
"This section does not impair or affect any future special business license ordinance passed for economic stimulus, an annual flat fee, or any future formal or informal agreement between a taxing jurisdiction and a taxpayer regarding the calculation of business license taxes."
- Enforcement
 - Assessment/Appeals Process
 - Change from circuit court to administrative law court




Delinquents

Due date is set by law - April 30

Penalty is not standardized

Must first serve a notice of assessment

- If the taxpayer fails to pay by May 1, business license official may serve notice of assessment by **mail or personal service**




Notice of Assessment §6-1-410

Within 30 days after the date of postmark or personal service, a taxpayer may request, in writing with reasons stated, an adjustment of the assessment.

Within 15 days of the receipt of the request, an informal conference between the taxing jurisdiction business license official and the taxpayer must be held.

Within 5 days after the conference, the taxing jurisdiction business license official shall issue a notice of final assessment and serve the taxpayer by mail or personal service with the notice and provide a form for any further appeal of the assessment by the taxpayer.



Appeals process §6-1-410

Standard appeals process for all jurisdictions

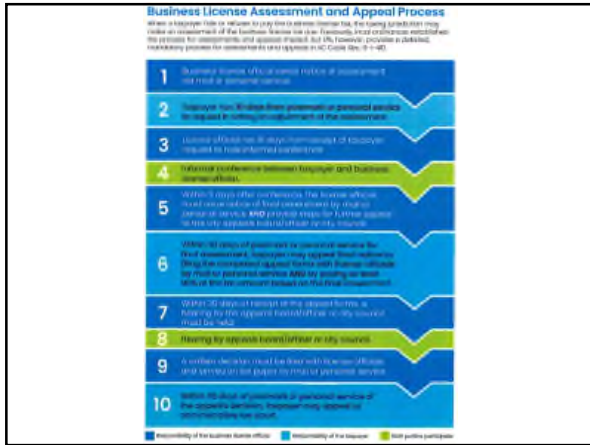
Within 30 days after the date of postmark or personal service, the taxpayer may appeal the notice of final assessment by filing the completed appeal form with the taxing jurisdiction business license official, by mail or personal service, and by paying to the taxing jurisdiction in protest at least eighty percent of the business license tax based on the final assessment.

Within 30 days after receipt of the appeal form, a hearing by the taxing council or its designee, must be held.

A written decision must be filed with the taxing jurisdiction business license official and served on the taxpayer by mail or personal service. This is the final decision of the taxing jurisdiction.

Within 30 days of the postmark or personal service, the taxpayer may appeal to the Administrative Law Court.






More information

- Business License Handbook
- Business Licensing Essentials
- SC Business Licensing Officials Association



Business License Handbook

- www.masc.sc
- Keywords: Business License Handbook
- Updated 2022





Business Licensing Essentials

- www.masc.sc
- Keywords: Business Licensing Essentials Recordings
- Third Tuesday of every month at 10 a.m.
- Virtual meetings
- All meetings are recorded and posted online
- Topics cover difficult/problem areas



SC Business Licensing Officials Association

- Membership
- Networking
- Annual training
 - Spring Training Institute
 - MFOCTA/BLOA Joint Academy
- Members Listserv
- Accreditation in Business Licensing
- Master in Business Licensing





Questions?





Resources

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