



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
300A Outlet Pointe Blvd., Columbia, South Carolina 29210
P.O. Box 125, Columbia, South Carolina 29214-0575

SC INFORMATION LETTER #26-22

SUBJECT: Service Provider Tax Exemptions
(Sales and Use Tax)

DATE: October 1, 2026

REFERENCES: S.C. Code Ann. § 12-36-2120
S.C. Code Ann. § 58-9-3100
2026 S.C. Acts 242

AUTHORITY: S.C. Code Ann. § 12-4-320 (2014)
SC Revenue Procedure #09-3

SCOPE: An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

Purpose

On May 19, 2026, Governor Henry McMaster signed Act 242, effective for tax years after 2025, which added Section 58-9-3100 of the South Carolina Code (2026), permitting certain items sold to or used by internet access service providers and communications service providers to be exempt from state and local sales and use tax by allowing a refund for taxes paid in the prior year. The purpose of this Information Letter is to provide eligible taxpayers with details about the exemption and refund.

General Guidance on Exemption

This new exemption, (the “Service Provider Tax Exemption”) exempts from state and local sales and use tax all supplies, technical equipment, machinery, and electricity sold to internet access service providers and communications service providers (“Service Providers”) so long as the items are used in producing, broadcasting, or distributing internet access service, communications

services, or any combination of such services pursuant to the provisions of Section 12-36-2120 of the South Carolina Code.¹ Section 58-9-3100 deems Service Providers to be manufacturers for purposes of this exemption.² The Service Provider Tax Exemption does not apply to data centers.³

Service Providers meeting these qualifications may apply to the South Carolina Department of Revenue (“SCDOR”) for a refund of state and local sales and use taxes paid on eligible items no later than January 31st of the following year.⁴

SCDOR shall calculate the total amount of refund requests no later than May 1.⁵ If the total amount of refund requests exceeds \$10 million, SCDOR will pro-rate refunds to ensure the total amount refunded does not exceed \$10 million.⁶ SCDOR will issue refunds no later than June 1.⁷

Eligible Applicants

Internet access service providers and communications service providers producing, or distributing internet access service, communications services, or any combination of such services are eligible for the Service Provider Tax Exemption.⁸

Application for Refund

Application for refund may be made using Form ST-609 Service Provider Sales Tax Exemption Refund Application at **dor.sc.gov**. Service Providers must submit the completed application and required supporting documentation to **SalesTaxExemptions@dor.sc.gov** by January 31st for the prior year (e.g., for tax year 2026, submit ST-609 by January 31, 2027, etc.).

SCDOR will review the Service Provider Sales Tax Exemption Refund applications and supporting documentation including:

¹ S.C. Code Ann. § 58-9-3100(A).

² Id.

³ S.C. Code Ann. § 58-9-3100(C). Section 58-9-3100(C)(1) provides that for this exemption, “data center” means “a facility, campus of facilities, or array of electronically interconnected facilities under a single electric supply agreement in this State used by an entity or other business enterprise to operate, manage, or maintain a computer, group of computers, or other organized assembly of hardware and software for the primary purpose of storing, retrieving, or transmitting data, other than facilities owned or operated by a telecommunications company as defined in Section 58-9-2200 or facilities that primarily support telecommunications service or network operations, that has a peak demand of fifty megawatts or greater, and that becomes a customer of an electric service provider after December 31, 2026.” Section 58-9-3100(C)(2) further reads that “[f]or purposes of calculating peak demand under this definition, peak demand shall be determined according to the contract between the energy user and the electric service provider, and the possibility of occurrence of energy usage which temporarily exceeds fifty megawatts shall not cause a commercial data center to fall under this definition where contractual peak demand is less than fifty megawatts.”

⁴ S.C. Code Ann. § 58-9-3100(B).

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Data centers, as defined pursuant to Section 58-9-3100(C)(1) are not eligible for the Service Provider Sales Tax Exemption.

- An Excel spreadsheet listing all invoices included with the requested refund amount. The list must include:
 - the date of purchase;
 - item purchased;
 - brief description of how item is used;
 - purchase price;
 - total state and local sales and use tax paid;
 - total sales tax rate charged;
 - county in which item was purchased; and,
- Copies of all invoices and proof of payment supporting the tax summary.

SCDOR may request additional information to process refund requests. Refund requests may be denied if all required documentation is not included.

Refunds received may be less than the amount requested as the total for all requested refunds may not exceed \$10 million per year for all Service Providers.

SCDOR will issue refund payments no later than June 1st.