



what federal deductions or credits in 2025 does SC not allow or conform to and has to be added back

For the 2025 tax year, South Carolina generally conforms to the Internal Revenue Code (IRC) as amended through December 31, 2024. However, there are important exceptions—certain federal deductions and credits are specifically not adopted by South Carolina and must be added back or otherwise adjusted on the South Carolina return. Additionally, because the South Carolina legislature adjourned before the enactment of the federal One Big Beautiful Bill Act (OBBBA) in 2025, any new federal provisions from that Act are not yet adopted for South Carolina tax purposes and must also be adjusted for on the state return. Below is a comprehensive summary of the federal deductions and credits that South Carolina does not conform to for 2025:

1. IRC Sections Specifically Not Adopted by South Carolina

South Carolina law (S.C. Code Ann. § 12-6-50) lists specific IRC sections that are not adopted for state income tax purposes. For 2025, these include:

- **Federal Tax Rates and Minimum Taxes:**
 - IRC §§ 1(a)–1(e), 3, 11, 1201 (federal tax rates)
 - IRC §§ 55–59A (alternative minimum tax)
- **Certain Credits:**
 - IRC §§ 22–54, 515, 853, 901–908, 960 (various federal credits, including foreign tax credits)
- **Bonus Depreciation and Related Deductions:**
 - IRC §§ 168(k), 168(l), 168(m), 168(n) (bonus depreciation and related provisions)
 - IRC § 280C (certain expenses for which credits are allowable)
- **Qualified Business Income Deduction:**
 - IRC § 199A (20% deduction for qualified business income from pass-through entities)
- **Limitation on Business Interest Expense:**
 - IRC § 163(j) (limitation on business interest expense)
- **Other Business Deductions and Credits:**
 - IRC § 162(r) (FDIC premiums)
 - IRC § 250, 267A (foreign-derived intangible income, hybrid arrangements)
 - IRC §§ 861–909, 912, 931–940, 944–989 (various foreign income provisions)
- **Net Operating Loss Carrybacks:**
 - IRC § 172(b)(1) (NOL carrybacks; South Carolina only allows carryforwards)
- **Certain Penalty Taxes on Retirement Plan Distributions:**
 - IRC §§ 72(m)(5)(B), 72(f), 72(o), 72(q), 72(t)
- **Reduction of Itemized Deductions and Personal Exemption Phaseouts:**
 - IRC § 68 (overall limitation on itemized deductions)
 - IRC § 151(d)(3) (phaseout of personal exemptions for high-income taxpayers)
- **Other Provisions:**
 - IRC § 118(b)(2) (contributions by governmental entities or civic groups)
 - IRC § 162(h)(4) (limitation on certain business expense deductions for legislators)
 - IRC §§ 531–564 (special taxes on corporations)
 - IRC §§ 581, 582, 585–596 (taxation of banking institutions)



- IRC §§ 665–668 (accumulation distributions from trusts)
- IRC §§ 801–848 (taxation of insurance companies)
- IRC §§ 1400–1494, except 1400Z (certain empowerment zone and related provisions)
- IRC §§ 1501–1505 (consolidated returns)
- IRC §§ 2001–7655, 7801–7871, 8001–9602, except for certain sections (estate, gift, excise, and other taxes not relevant to income tax)

Note: This is not an exhaustive list of all non-conforming sections, but it covers the major areas most likely to affect individual and business taxpayers [1].

2. Provisions from the One Big Beautiful Bill Act (OBBBA) Not Adopted for 2025

Because the South Carolina legislature did not address conformity to the OBBBA before adjourning in 2025, the following new federal deductions and credits from the OBBBA are **not** adopted for South Carolina tax purposes for 2025. Taxpayers who claim these on their federal return must add them back or adjust their South Carolina return accordingly:

- **Increased Standard Deduction:**
 - The OBBBA increased the federal standard deduction for all filing statuses. South Carolina does not conform to this increase for 2025.
- **Senior Deduction:**
 - The OBBBA allows an additional \$6,000 deduction for individuals age 65 and older, subject to income phaseouts. South Carolina does not conform to this deduction for 2025.
- **Deduction for Tips:**
 - The OBBBA allows a deduction for qualified tips received in certain occupations. South Carolina does not conform to this deduction for 2025.
- **Deduction for Overtime Pay:**
 - The OBBBA allows a deduction for qualified overtime pay above regular rates. South Carolina does not conform to this deduction for 2025.
- **Deduction for Car Loan Interest:**
 - The OBBBA allows a deduction for interest paid on loans for personal vehicles. South Carolina does not conform to this deduction for 2025.
- **Increased State and Local Tax (SALT) Deduction Cap:**
 - The OBBBA increased the federal SALT deduction cap to \$40,000. South Carolina does not conform to this increase for 2025.
- **Research and Experimental Expenditures:**
 - The OBBBA allows immediate expensing of domestic research and experimental expenditures and special rules for prior years. South Carolina does not conform to these changes for 2025.
- **Increased Section 179 Expensing Limit:**
 - The OBBBA increased the Section 179 expensing limit to \$2.5 million. South Carolina does not conform to this increase for 2025.
- **Bonus Depreciation:**



- The OBBBA made further modifications to bonus depreciation (IRC § 168(k)), which South Carolina specifically does not adopt.

Taxpayers must adjust their South Carolina taxable income to remove the effect of these federal deductions if claimed on their federal return for 2025 [4] [5].

3. Other Notable Nonconformity Items

- **Qualified Business Income Deduction (IRC § 199A):**
 - South Carolina does not allow the 20% deduction for qualified business income from pass-through entities. Taxpayers must add back this deduction if claimed federally.
- **Certain Federal Credits:**
 - Many federal credits, especially those related to foreign taxes, minimum taxes, and certain business activities, are not allowed for South Carolina purposes.
- **Net Operating Loss (NOL) Carrybacks:**
 - South Carolina does not allow NOL carrybacks, only carryforwards.
- **Bonus Depreciation:**
 - South Carolina does not conform to federal bonus depreciation provisions. Taxpayers must adjust depreciation deductions accordingly.

4. How to Adjust

If you claim any of the above deductions or credits on your federal return for 2025, you must add them back to your South Carolina taxable income or otherwise adjust your return to remove their effect. This is typically done on the South Carolina return as an addition to federal taxable income or as a modification to the federal amount carried over to the state return.

Summary Table of Key Federal Deductions/Credits Not Allowed by South Carolina for 2025

Federal Provision (2025)	SC Conforms? Action Required for SC Return	
Qualified Business Income Deduction	No	Add back
Bonus Depreciation (IRC § 168(k))	No	Add back
Increased Standard Deduction (OBBBA)	No	Add back
Senior Deduction (OBBBA)	No	Add back
Tips Deduction (OBBBA)	No	Add back
Overtime Deduction (OBBBA)	No	Add back
Car Loan Interest Deduction (OBBBA)	No	Add back
Increased SALT Deduction (OBBBA)	No	Add back



Federal Provision (2025)	SC Conforms?	Action Required for SC Return
Section 179 Expensing Increase (OBBBA)	No	Add back
Research & Experimental Expensing	No	Add back
NOL Carrybacks	No	Not allowed
Certain Federal Credits	No	Not allowed

References:

- S.C. Code Ann. § 12-6-50 [1]
- SC Information Letter #26-4 (Jan. 30, 2026) [4]
- State and Local Tax Weekly, EY, Feb. 9, 2026 [5]
- S.C. DOR 2025 Legislative Update [3]

If you have claimed any of these deductions or credits on your federal return for 2025, you must adjust your South Carolina return to remove their effect. If you need guidance on a specific deduction or credit, please provide details for a more tailored answer.