

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 370

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Subject: Changing provisions related to sales tax refunds or credits for bad debt losses

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Overview

The bill changes who may file a claim for credit or refund of sales tax on bad debt. Currently only the person who collected and remitted the tax may file a claim for refund. The bill expands this to allow certified service providers (CSPs) or lenders who acquire the retail account directly from the taxpayer who reported the tax to make the claim instead. CSPs are agents who collect and remit sales tax on behalf of sellers under the Uniform Streamlined Sales and Use Tax Administration Act Tax (developed by SSTP-the Streamlined Sales Tax Project). The bill requires CSPs to remit any refund collected back to their client.

The bill also changes the time period in which a claim may be filed for a refund or credit of sales tax on a bad debt loss. Currently, the claim must be filed by the later of (1) 3 1/2 years from the filing date of the original return (plus any granted extensions) or (2) one year from the filing of the federal income tax return on which the bad debt deduction is claimed. The bill changes the filing date for the claim to 12 months after the bad debt is charged off for federal income tax purposes.

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- 1** **Bad debt loss.** Changes the filing date for the claim for a sales tax credit or refund due to bad debt loss from the later of (1) 3 1/2 years from the filing date of the original return (plus any granted extensions) or (2) one year from the filing of the federal income tax return on which the bad debt deduction is claimed, to 12 months after the bad debt is charged off for federal income tax purposes. Also states that a refund must be given if the bad debt exceeds the claimant's of taxable sales within a 12-month period and clarifies that the deduction or refund

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must be repaid if the debt is subsequently collected.

- 2** **Sales tax deduction or refund to a certified service provider (CSP).** Requires that if a CSP files a claim on behalf of a client for refund or deduction of sales tax for any reason, they must credit the client for the full amount of the deduction or refund.
- 3** **Uncollectable debts; offsets against other taxes; refunds.** Expands the persons who may file a claim for sales taxes paid on an uncollectable debt to include not only the person who collected and remitted the tax, but also certified service providers and lenders who acquired the retail account directly from the person who reported the tax.