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Sec. 12-408-1. Worthless accounts receivable

(a) **Introduction.** Section 12-408 (1) imposes the sales tax on the gross receipts of a retailer from the retail sale of tangible personal property or from the rendering of services described in section 12-407 (2) (i). “Gross receipts,” as defined in section 12-407 (9), do not include deductions on account of losses. Public Act 84-362 amended section 12-408 (2) to allow a credit against the sales tax to a retailer with respect to an account receivable from a charge account or credit sale, when such account receivable is determined to be worthless and is actually written off as uncollectible for federal income tax purposes.

(b) The credit may be claimed only with respect to sales occurring on or after July 1, 1984, the gross receipts from which were subject to the sales tax and were reported as such on a sales tax return, and on which the sales tax was paid by the retailer to this state.

(c) No deduction shall be allowed for expenses incurred in attempting to collect any account receivable or for that portion of a recovered debt which is retained or paid to a third party as compensation for services rendered in collecting the account.

(d) In support of claims for credit, the retailer must maintain adequate and complete records showing the date of the original sale, the name and address of the purchaser, the amount which the purchaser contracted to pay, the amount on which the retailer paid the sales tax to this state, all payments or other credits applied to the account of the purchaser, and evidence that the uncollectible portion on which the sales tax has been paid to this state has been actually written off as uncollectible for federal income tax purposes.

(e) If the account written off is made up in part of nontaxable receipts, such as separately stated installation charges, and in part of taxable receipts upon which the sales tax has been paid to this state, the credit may be claimed only with respect to the taxable portion. In determining the taxable portion, all payments and credits to the account shall be applied ratably against both taxable and nontaxable portions of the account.

(Effective August 28, 1985)