



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2013 Wisconsin Act 229
[2013 Assembly Bill 644]

**Sales Tax Return Adjustments
for Private Label Credit
Card Bad Debt**

Under current law, a seller may claim a deduction on its sales tax return for the amount of any bad debt that the seller writes off as uncollectible and that is eligible to be deducted as a bad debt for federal income tax purposes. If the seller subsequently collects in whole or in part any bad debt for which a deduction has been claimed, the seller must include the amount collected in its sales tax return for the period in which the debt was collected.

2013 Wisconsin Act 229

Generally, 2013 Wisconsin Act 229 expands the law regarding return adjustments to include certain bad debts associated with private label and dual purpose credit cards. Act 229 permits a seller to claim a deduction on its sales tax return for the amount of any bad debt that the seller *or a lender*, as defined below, writes off as uncollectible and that is eligible to be deducted as a bad debt for federal income tax purposes. If the seller *or lender* subsequently collects in whole or in part any bad debt for which a deduction has been claimed, the seller must include the amount collected in its sales tax return for the period in which the debt was collected.

Under the Act, a “lender” refers to a person who owns private label credit debt, dual purpose credit debt, or an interest in those debts, if the person purchased the debt or interest directly from a seller or from a third party, or if the person originated the debt or interest pursuant to a contract with a seller. Act 229 specifies that “bad debt” includes private label credit debt and dual purpose credit debt only to the extent the debts result from purchases made from the seller whose name or logo appears on the card.

For purposes of computing a bad debt deduction, the Act permits a seller to compute the deduction using an estimate, if the Department of Revenue approves the computation

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature’s Web site at: <http://www.legis.wisconsin.gov>.

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method. The department may audit a seller's books and records to review the estimate and adjust it as necessary to reflect the actual allowable bad debt amount. For the purpose of computing the bad debt deduction or reporting a payment received on a previously claimed bad debt, if payment is received on an account for which the balance reflects multiple sales transactions, the payment is applied to the sales transactions in the same order in which the sales transactions occurred.

Effective date: July 1, 2015.

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May 21, 2014

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