



**WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO**

2013 Assembly Bill 644	Assembly Substitute Amendment 1
<i>Memo published: March 27, 2014</i> <i>Contact: Scott Grosz, Senior Staff Attorney (266-1307)</i>	

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 Assembly Bill 644

2013 Assembly Bill 644 would permit sellers and lenders who extend credit through private label or dual purpose credit cards to enter in to agreements so that the lender may claim a deduction for a sales tax refund associated with the lender's write-off of bad debt, if certain conditions apply.

Assembly Substitute Amendment 1

Assembly Substitute Amendment 1 to 2013 Assembly Bill 644 would permit a seller to claim a deduction on its sales tax return for the amount of any bad debt that the seller *or a lender* 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 shall include the amount collected in its sales tax return for the period in which the debt was collected.

Under the substitute amendment, 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. The substitute amendment 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 substitute amendment permits a seller to compute the deduction using an estimate, if the Department of Revenue approves the computation 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.

Under Assembly Substitute Amendment 1, the bill’s treatment of sales tax bad debt return adjustments would take effect on July 1, 2015.

Bill History

Assembly Substitute Amendment 1 was introduced by Representative Nygren. On March 20, 2014, the Assembly adopted Assembly Substitute Amendment 1 and passed Assembly Bill 644 on voice votes.

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