



**93RD GENERAL ASSEMBLY**  
**State of Illinois**  
**2003 and 2004**  
**HB4296**

Introduced 1/30/2004, by William B. Black

**SYNOPSIS AS INTRODUCED:**

35 ILCS 130/3-2 new  
35 ILCS 135/3-2 new  
35 ILCS 143/10-32 new

Amends the Cigarette Tax Act, the Cigarette Use Tax Act, and the Tobacco Products Tax Act of 1995. Provides that, beginning on January 1, 2005, a distributor may deduct the amount of bad debts from the tax imposed under these Acts. Provides that "bad debt" means the taxes attributable to any portion of a debt owed to the distributor that is related to a sale of cigarettes or tobacco products subject to tax under these Acts, that is not otherwise deductible or excludable, that has become worthless or uncollectible, and that meets other criteria. Effective immediately.

LRB093 19242 SJM 44977 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning taxes.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Cigarette Tax Act is amended by adding  
5 Section 3-2 as follows:

6 (35 ILCS 130/3-2 new)

7 Sec. 3-2. Bad debts deductible.

8 (a) Beginning on January 1, 2005, a distributor may deduct  
9 the amount of bad debts from the tax imposed under Section 2.  
10 The amount deducted must be charged off as uncollectible on the  
11 books of the distributor. If a person pays all or part of a bad  
12 debt with respect to which a distributor claimed a deduction  
13 under this Section, the distributor shall be liable for the  
14 amount of taxes deducted in connection with that portion of the  
15 debt for which payment is received and shall remit these taxes  
16 in his or her next payment to the Department under Section 3.

17 (b) Any claim for a bad debt deduction under this Section  
18 shall be supported by all of the following:

19 (1) A copy of the original invoice.

20 (2) Evidence that the cigarettes described in the  
21 invoice were delivered to the person who ordered them.

22 (3) Evidence that the person who ordered and received  
23 the cigarettes did not pay the distributor for the  
24 cigarettes and that the distributor used reasonable  
25 collection practices in attempting to collect the debt.

26 (4) As used in this Section, "bad debt" means the taxes  
27 attributable to any portion of a debt that is related to a  
28 sale of cigarettes subject to tax under Section 2 that is  
29 not otherwise deductible or excludable, that has become  
30 worthless or uncollectible in the time period between the  
31 date when taxes accrue to the State for the distributor's  
32 preceding tax return and the date when taxes accrue to the

1       State for the present return, and that is eligible to be  
2       claimed, or could be eligible to be claimed if the  
3       distributor kept accounts on an accrual basis, as a  
4       deduction pursuant to Section 166 of the Internal Revenue  
5       Code. A bad debt shall not include any interest on the  
6       wholesale price of a cigarette, uncollectible amounts on  
7       property that remains in the possession of the distributor  
8       until the full purchase price is paid, expenses incurred in  
9       attempting to collect any account receivable or any portion  
10       of the debt recovered, any accounts receivable that have  
11       been sold to a third party for collection, and repossessed  
12       property.

13       Section 10. The Cigarette Use Tax Act is amended by adding  
14       Section 3-2 as follows:

15             (35 ILCS 135/3-2 new)

16       Sec. 3-2. Bad debts deductible.

17       (a) Beginning on January 1, 2005, a distributor may deduct  
18       the amount of bad debts from the tax imposed under Section 2.  
19       The amount deducted must be charged off as uncollectible on the  
20       books of the distributor. If a person pays all or part of a bad  
21       debt with respect to which a distributor claimed a deduction  
22       under this Section, the distributor shall be liable for the  
23       amount of taxes deducted in connection with that portion of the  
24       debt for which payment is received and shall remit these taxes  
25       in his or her next payment to the Department under Section 3.

26       (b) Any claim for a bad debt deduction under this Section  
27       shall be supported by all of the following:

28             (1) A copy of the original invoice.

29             (2) Evidence that the cigarettes described in the  
30             invoice were delivered to the person who ordered them.

31             (3) Evidence that the person who ordered and received  
32             the cigarettes did not pay the distributor for the  
33             cigarettes and that the distributor used reasonable  
34             collection practices in attempting to collect the debt.

1           (4) As used in this Section, "bad debt" means the taxes  
2           attributable to any portion of a debt that is related to a  
3           sale of tobacco products subject to tax under Section 10-10  
4           that is not otherwise deductible or excludable, that has  
5           become worthless or uncollectible in the time period  
6           between the date when taxes accrue to the State for the  
7           distributor's preceding tax return and the date when taxes  
8           accrue to the State for the present return, and that is  
9           eligible to be claimed, or could be eligible to be claimed  
10           if the distributor kept accounts on an accrual basis, as a  
11           deduction pursuant to Section 166 of the Internal Revenue  
12           Code. A bad debt shall not include any interest on the  
13           wholesale price of a tobacco product, uncollectible  
14           amounts on property that remains in the possession of the  
15           distributor until the full purchase price is paid, expenses  
16           incurred in attempting to collect any account receivable or  
17           any portion of the debt recovered, any accounts receivable  
18           that have been sold to a third party for collection, and  
19           repossessed property.

20           Section 15. The Tobacco Products Tax Act of 1995 is amended  
21 by adding Section 10-32 as follows:

22           (35 ILCS 143/10-32 new)

23           Sec. 10-32. Bad debts deductible.

24           (a) Beginning on January 1, 2005, a distributor may deduct  
25           the amount of bad debts from the tax imposed under Section  
26           10-10. The amount deducted must be charged off as uncollectible  
27           on the books of the distributor. If a person pays all or part  
28           of a bad debt with respect to which a distributor claimed a  
29           deduction under this Section, the distributor shall be liable  
30           for the amount of taxes deducted in connection with that  
31           portion of the debt for which payment is received and shall  
32           remit these taxes in his or her next payment to the Department  
33           under Section 10-30.

34           (b) Any claim for a bad debt deduction under this Section

1 shall be supported by all of the following:

2 (1) A copy of the original invoice.

3 (2) Evidence that the tobacco products described in the  
4 invoice were delivered to the person who ordered them.

5 (3) Evidence that the person who ordered and received  
6 the tobacco products did not pay the distributor for the  
7 tobacco products and that the distributor used reasonable  
8 collection practices in attempting to collect the debt.

9 (4) As used in this Section, "bad debt" means the taxes  
10 attributable to any portion of a debt that is related to a  
11 sale of tobacco products subject to tax under Section 10-10  
12 that is not otherwise deductible or excludable, that has  
13 become worthless or uncollectible in the time period  
14 between the date when taxes accrue to the State for the  
15 distributor's preceding tax return and the date when taxes  
16 accrue to the State for the present return, and that is  
17 eligible to be claimed, or could be eligible to be claimed  
18 if the distributor kept accounts on an accrual basis, as a  
19 deduction pursuant to Section 166 of the Internal Revenue  
20 Code. A bad debt shall not include any interest on the  
21 wholesale price of a tobacco product, uncollectible  
22 amounts on property that remains in the possession of the  
23 distributor until the full purchase price is paid, expenses  
24 incurred in attempting to collect any account receivable or  
25 any portion of the debt recovered, any accounts receivable  
26 that have been sold to a third party for collection, and  
27 repossessed property.

28 Section 99. Effective date. This Act takes effect upon  
29 becoming law.