

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 Use Tax Act is amended by adding Section
5 3-46 as follows:

6 (35 ILCS 105/3-46 new)

7 Sec. 3-46. Bad Debts.

8 (a) A retailer is relieved from liability for the tax
9 under this Act that became due and payable, insofar as the
10 measure of the tax is represented by accounts that have been
11 found to be worthless and charged off for income tax purposes
12 by the retailer or, if the retailer is not required to file
13 income tax returns, charged off in accordance with generally
14 accepted accounting principles. A retailer that has
15 previously paid the tax may, under rules adopted by the
16 Department, take as a deduction the amount found worthless
17 and charged off by the retailer. If these accounts are
18 thereafter in whole or in part collected by the retailer, the
19 amount collected shall be included in the first return filed
20 after the collection and the tax shall be paid with the
21 return. For purposes of this subdivision, the term
22 "retailer" includes any entity affiliated with the retailer
23 under Section 1504 of Title 26 of the United States Code.

24 (b) (1) In the case of accounts held by a lender, a
25 retailer or lender who makes a proper election under
26 subdivision (b)(4) shall be entitled to a deduction or
27 refund of the tax that the retailer has previously
28 reported and paid if all of the following conditions are
29 met:

30 (A) No deduction is claimed or allowed for any
31 portion of the account for which a previous

1 deduction was claimed or allowed.

2 (B) The accounts have been found worthless and
3 written off by the lender in accordance with the
4 requirements of subsection (a).

5 (C) The account was written off as a bad debt
6 on or after January 1, 2001.

7 (D) The party electing to claim the deduction
8 or refund under subdivision (b)(4) files a claim in
9 a manner prescribed by the Department.

10 (2) If the retailer or the lender thereafter
11 collects in whole or in part any accounts, one of the
12 following shall apply:

13 (A) If the retailer is entitled to the
14 deduction or refund under the election specified in
15 subdivision (b)(4), the retailer shall include the
16 amount collected in its first return filed after the
17 collection and pay tax on that amount with the
18 return.

19 (B) If the lender is entitled to the deduction
20 or refund under the election specified in
21 subdivision (b)(4), the lender shall pay the tax to
22 the Department.

23 (3) For purposes of this subsection (b), the term
24 "lender" means any of the following:

25 (A) Any person who holds a retail account
26 which that person purchased directly from a retailer
27 who reported the tax.

28 (B) Any person who holds a retail account
29 pursuant to that person's contract directly with the
30 retailer who reported the tax.

31 (C) Any person who is either an affiliated
32 entity, under Section 1504 of Title 26 of the United
33 States Code, of a person described in subdivision
34 (3)(A) or (3)(B), or an assignee of a person

1 described in subdivision (3)(A) or (3)(B).

2 (4) Prior to claiming any deduction or refund under
3 this subsection (b), the retailer who reported the tax
4 and the lender shall file an election with the
5 Department, signed by both parties, designating which
6 party is entitled to claim the deduction or refund. This
7 election may not be amended or revoked unless a new
8 election, signed by both parties, is filed with the
9 Department.

10 (5) A lender as defined above may have its
11 deduction or refund for bad debts claimed on a return
12 filed by an affiliated retailer.

13 Section 10. The Service Use Tax Act is amended by adding
14 Section 3-41 as follows:

15 (35 ILCS 110/3-41 new)

16 Sec. 3-41. Bad debts.

17 (a) A retailer is relieved from liability for the tax
18 under this Act that became due and payable, insofar as the
19 measure of the tax is represented by accounts that have been
20 found to be worthless and charged off for income tax purposes
21 by the retailer or, if the retailer is not required to file
22 income tax returns, charged off in accordance with generally
23 accepted accounting principles. A retailer that has
24 previously paid the tax may, under rules adopted by the
25 Department, take as a deduction the amount found worthless
26 and charged off by the retailer. If these accounts are
27 thereafter in whole or in part collected by the retailer, the
28 amount collected shall be included in the first return filed
29 after the collection and the tax shall be paid with the
30 return. For purposes of this subdivision, the term
31 "retailer" includes any entity affiliated with the retailer
32 under Section 1504 of Title 26 of the United States Code.

1 (b) (1) In the case of accounts held by a lender, a
 2 retailer or lender who makes a proper election under
 3 subdivision (b)(4) shall be entitled to a deduction or
 4 refund of the tax that the retailer has previously
 5 reported and paid if all of the following conditions are
 6 met:

7 (A) No deduction is claimed or allowed for any
 8 portion of the account for which a previous
 9 deduction was claimed or allowed.

10 (B) The accounts have been found worthless and
 11 written off by the lender in accordance with the
 12 requirements of subsection (a).

13 (C) The account was written off as a bad debt
 14 on or after January 1, 2001.

15 (D) The party electing to claim the deduction
 16 or refund under subdivision (b)(4) files a claim in
 17 a manner prescribed by the Department.

18 (2) If the retailer or the lender thereafter
 19 collects in whole or in part any accounts, one of the
 20 following shall apply:

21 (A) If the retailer is entitled to the
 22 deduction or refund under the election specified in
 23 subdivision (b)(4), the retailer shall include the
 24 amount collected in its first return filed after the
 25 collection and pay tax on that amount with the
 26 return.

27 (B) If the lender is entitled to the deduction
 28 or refund under the election specified in
 29 subdivision (b)(4), the lender shall pay the tax to
 30 the Department.

31 (3) For purposes of this subsection (b), the term
 32 "lender" means any of the following:

33 (A) Any person who holds a retail account
 34 which that person purchased directly from a retailer

1 who reported the tax.

2 (B) Any person who holds a retail account
3 pursuant to that person's contract directly with the
4 retailer who reported the tax.

5 (C) Any person who is either an affiliated
6 entity, under Section 1504 of Title 26 of the United
7 States Code, of a person described in subdivision
8 (3)(A) or (3)(B), or an assignee of a person
9 described in subdivision (3)(A) or (3)(B).

10 (4) Prior to claiming any deduction or refund under
11 this subsection (b), the retailer who reported the tax
12 and the lender shall file an election with the
13 Department, signed by both parties, designating which
14 party is entitled to claim the deduction or refund. This
15 election may not be amended or revoked unless a new
16 election, signed by both parties, is filed with the
17 Department.

18 (5) A lender as defined above may have its
19 deduction or refund for bad debts claimed on a return
20 filed by an affiliated retailer.

21 Section 15. The Service Occupation Tax Act is amended by
22 adding Section 3-41 as follows:

23 (35 ILCS 115/3-41 new)

24 Sec. 3-41. Bad debts.

25 (a) A retailer is relieved from liability for the tax
26 under this Act that became due and payable, insofar as the
27 measure of the tax is represented by accounts that have been
28 found to be worthless and charged off for income tax purposes
29 by the retailer or, if the retailer is not required to file
30 income tax returns, charged off in accordance with generally
31 accepted accounting principles. A retailer that has
32 previously paid the tax may, under rules adopted by the

1 Department, take as a deduction the amount found worthless
 2 and charged off by the retailer. If these accounts are
 3 thereafter in whole or in part collected by the retailer, the
 4 amount collected shall be included in the first return filed
 5 after the collection and the tax shall be paid with the
 6 return. For purposes of this subdivision, the term
 7 "retailer" includes any entity affiliated with the retailer
 8 under Section 1504 of Title 26 of the United States Code.

9 (b) (1) In the case of accounts held by a lender, a
 10 retailer or lender who makes a proper election under
 11 subdivision (b)(4) shall be entitled to a deduction or
 12 refund of the tax that the retailer has previously
 13 reported and paid if all of the following conditions are
 14 met:

15 (A) No deduction is claimed or allowed for any
 16 portion of the account for which a previous
 17 deduction was claimed or allowed.

18 (B) The accounts have been found worthless and
 19 written off by the lender in accordance with the
 20 requirements of subsection (a).

21 (C) The account was written off as a bad debt
 22 on or after January 1, 2001.

23 (D) The party electing to claim the deduction
 24 or refund under subdivision (b)(4) files a claim in
 25 a manner prescribed by the Department.

26 (2) If the retailer or the lender thereafter
 27 collects in whole or in part any accounts, one of the
 28 following shall apply:

29 (A) If the retailer is entitled to the
 30 deduction or refund under the election specified in
 31 subdivision (b)(4), the retailer shall include the
 32 amount collected in its first return filed after the
 33 collection and pay tax on that amount with the
 34 return.

1 (B) If the lender is entitled to the deduction
 2 or refund under the election specified in
 3 subdivision (b)(4), the lender shall pay the tax to
 4 the Department.

5 (3) For purposes of this subsection (b), the term
 6 "lender" means any of the following:

7 (A) Any person who holds a retail account
 8 which that person purchased directly from a retailer
 9 who reported the tax.

10 (B) Any person who holds a retail account
 11 pursuant to that person's contract directly with the
 12 retailer who reported the tax.

13 (C) Any person who is either an affiliated
 14 entity, under Section 1504 of Title 26 of the United
 15 States Code, of a person described in subdivision
 16 (3)(A) or (3)(B), or an assignee of a person
 17 described in subdivision (3)(A) or (3)(B).

18 (4) Prior to claiming any deduction or refund under
 19 this subsection (b), the retailer who reported the tax
 20 and the lender shall file an election with the
 21 Department, signed by both parties, designating which
 22 party is entitled to claim the deduction or refund. This
 23 election may not be amended or revoked unless a new
 24 election, signed by both parties, is filed with the
 25 Department.

26 (5) A lender as defined above may have its
 27 deduction or refund for bad debts claimed on a return
 28 filed by an affiliated retailer.

29 Section 20. The Retailers' Occupation Tax Act is amended
 30 by adding Section 3a as follows:

31 (35 ILCS 120/3a new)

32 Sec. 3a. Bad debts.

1 (a) A retailer is relieved from liability for the tax
2 under this Act that became due and payable, insofar as the
3 measure of the tax is represented by accounts that have been
4 found to be worthless and charged off for income tax purposes
5 by the retailer or, if the retailer is not required to file
6 income tax returns, charged off in accordance with generally
7 accepted accounting principles. A retailer that has
8 previously paid the tax may, under rules adopted by the
9 Department, take as a deduction the amount found worthless
10 and charged off by the retailer. If these accounts are
11 thereafter in whole or in part collected by the retailer, the
12 amount collected shall be included in the first return filed
13 after the collection and the tax shall be paid with the
14 return. For purposes of this subdivision, the term
15 "retailer" includes any entity affiliated with the retailer
16 under Section 1504 of Title 26 of the United States Code.

17 (b) (1) In the case of accounts held by a lender, a
18 retailer or lender who makes a proper election under
19 subdivision (b)(4) shall be entitled to a deduction or
20 refund of the tax that the retailer has previously
21 reported and paid if all of the following conditions are
22 met:

23 (A) No deduction is claimed or allowed for any
24 portion of the account for which a previous
25 deduction was claimed or allowed.

26 (B) The accounts have been found worthless and
27 written off by the lender in accordance with the
28 requirements of subsection (a).

29 (C) The account was written off as a bad debt
30 on or after January 1, 2001.

31 (D) The party electing to claim the deduction
32 or refund under subdivision (b)(4) files a claim in
33 a manner prescribed by the Department.

34 (2) If the retailer or the lender thereafter

1 collects in whole or in part any accounts, one of the
2 following shall apply:

3 (A) If the retailer is entitled to the
4 deduction or refund under the election specified in
5 subdivision (b)(4), the retailer shall include the
6 amount collected in its first return filed after the
7 collection and pay tax on that amount with the
8 return.

9 (B) If the lender is entitled to the deduction
10 or refund under the election specified in
11 subdivision (b)(4), the lender shall pay the tax to
12 the Department.

13 (3) For purposes of this subsection (b), the term
14 "lender" means any of the following:

15 (A) Any person who holds a retail account
16 which that person purchased directly from a retailer
17 who reported the tax.

18 (B) Any person who holds a retail account
19 pursuant to that person's contract directly with the
20 retailer who reported the tax.

21 (C) Any person who is either an affiliated
22 entity, under Section 1504 of Title 26 of the United
23 States Code, of a person described in subdivision
24 (3)(A) or (3)(B), or an assignee of a person
25 described in subdivision (3)(A) or (3)(B).

26 (4) Prior to claiming any deduction or refund under
27 this subsection (b), the retailer who reported the tax
28 and the lender shall file an election with the
29 Department, signed by both parties, designating which
30 party is entitled to claim the deduction or refund. This
31 election may not be amended or revoked unless a new
32 election, signed by both parties, is filed with the
33 Department.

34 (5) A lender as defined above may have its

1 deduction or refund for bad debts claimed on a return
2 filed by an affiliated retailer.

3 Section 99. Effective date. This Act takes effect on
4 January 1, 2002.