

Sales/Use/Indirect:

Illinois DOR Adopts Rule Addressing Bad Debt Deductions on Installment Contracts for Cash Basis Retailers

Amended 86 Ill. Adm. Code 130.1960, Ill. Dept. of Rev. (eff. 2/8/24). Pursuant to state caselaw from 2021 that permitted bad debt refund claims for a cash basis taxpayer making installment sales [see *State Tax Matters*, Issue 2021-46, for additional details on this case], the Illinois Department of Revenue adopted amendments to an Illinois retailers' occupation tax rule to clarify that a cash basis retailer that cannot claim a bad debt deduction on its federal income tax return is entitled to claim a refund for Illinois sales tax paid by the retailer on that portion of an installment contract found to be worthless or uncollectable. The revisions update guidance on calculating bad debt, include examples, as well as provide additional direction regarding procedural requirements and recordkeeping. Please contact us with any questions.

URL: https://www.ilsos.gov/departments/index/register/volume48/register_volume48_8.pdf

URL: https://dhub.deloitte.com/Newsletters/Tax/2021/STM/211119_4.html

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