

Sales/Use/Indirect:

California: New Law Repeals Bad Debt Deduction for Lenders and Retailer Affiliates and Limits Claimants to Retailers

S.B. 167, signed by gov. 6/27/24. Recently signed legislation incorporates various California tax budget measures, including disallowing as of January 1, 2025, otherwise qualifying lenders and affiliates of retailers from claiming California's sales and use tax "bad debt" deduction on accounts that have been found to be worthless and charged off (*i.e.*, found to be worthless and charged off either for income tax purposes or based on generally accepted accounting principles (GAAP)) – thus allowing only the retailers in underlying transactions to potentially claim bad debt deductions as of January 1, 2025.

URL: https://leginfo.legislature.ca.gov/faces/billHistoryClient.xhtml?bill_id=202320240SB167

See previously issued Multistate Tax Alert (June 24, 2024), and previously issued Multistate Tax Alert (July 1, 2024), for more details on other recently enacted California tax-related budget measures, and please contact us with any questions.

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-california-bill-suspends-net-operating-losses-limits-certain-tax-credits.pdf>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-california-enacts-senate-bills-167-and-175-on-nols-and-credits.pdf>

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