



HOUSE BILL No. 4855

May 17, 1995, Introduced by Reps. Profit and Bullard and referred to the Committee on Tax Policy.

A bill to amend Act No. 327 of the Public Acts of 1993, entitled "Tobacco products tax act," as amended, being sections 205.421 to 205.436 of the Michigan Compiled Laws, by adding section 7a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 327 of the Public Acts of 1993, as
2 amended, being sections 205.421 to 205.436 of the Michigan
3 Compiled Laws, is amended by adding section 7a to read as
4 follows:

5 SEC. 7A. (1) IN COMPUTING THE AMOUNT OF TAX LEVIED UNDER
6 SECTION 7 FOR ANY MONTH, A TAXPAYER MAY DEDUCT THE AMOUNT OF BAD
7 DEBTS FROM THE TAX DUE. THE AMOUNT OF BAD DEBTS DEDUCTED SHALL
8 BE CHARGED OFF AS UNCOLLECTIBLE ON THE BOOKS OF THE TAXPAYER. IF
9 A RETAILER OR OTHER LICENSEE PAYS ALL OR PART OF A BAD DEBT WITH

1 RESPECT TO WHICH A TAXPAYER CLAIMED A DEDUCTION UNDER THIS
2 SECTION, THE TAXPAYER SHALL BE LIABLE FOR THE AMOUNT OF TAXES
3 DEDUCTED IN CONNECTION WITH THAT PORTION OF THE DEBT FOR WHICH
4 PAYMENT IS RECEIVED AND SHALL REMIT THESE TAXES IN HIS OR HER
5 NEXT PAYMENT TO THE DEPARTMENT.

6 (2) A CLAIM FOR A BAD DEBT DEDUCTION UNDER THIS SECTION
7 SHALL BE SUPPORTED BY THAT EVIDENCE REQUIRED BY THE DEPARTMENT.
8 THE DEPARTMENT SHALL REVIEW ANY CHANGE IN THE RATE OF TAXATION
9 APPLICABLE TO ANY TRANSACTION BY A TAXPAYER CLAIMING A DEDUCTION
10 PURSUANT TO THIS SECTION AND SHALL ENSURE THAT THE DEDUCTION ON
11 ANY BAD DEBT DOES NOT RESULT IN THE TAXPAYER CLAIMING THE DEDUC-
12 TION RECOVERING ANY MORE OR LESS THAN THE TAXES IMPOSED UNDER
13 SECTION 7 ATTRIBUTABLE TO THE BAD DEBT.

14 (3) AS USED IN THIS SECTION:

15 (A) "BAD DEBT" MEANS ANY PORTION OF A DEBT THAT IS RELATED
16 TO THE TAX ON THE SALE OR TRANSFER OF A TOBACCO PRODUCT THAT IS
17 NOT OTHERWISE DEDUCTIBLE OR EXCLUDABLE, THAT HAS BECOME WORTHLESS
18 OR UNCOLLECTIBLE IN THE TIME PERIOD BETWEEN THE DATE WHEN TAXES
19 ACCRUE TO THE STATE FOR THE TAXPAYER'S PRECEDING TAX RETURN AND
20 THE DATE WHEN TAXES ACCRUE TO THE STATE FOR THE PRESENT RETURN,
21 AND THAT IS ELIGIBLE TO BE CLAIMED, OR COULD BE ELIGIBLE TO BE
22 CLAIMED IF THE TAXPAYER KEPT ACCOUNTS ON AN ACCRUAL BASIS, AS A
23 DEDUCTION PURSUANT TO SECTION 166 OF THE INTERNAL REVENUE CODE.
24 A BAD DEBT SHALL NOT INCLUDE ANY INTEREST OR TAX ON THE PURCHASE
25 PRICE, UNCOLLECTIBLE AMOUNTS ON TOBACCO PRODUCTS THAT REMAIN IN
26 THE POSSESSION OF THE TAXPAYER UNTIL THE FULL PURCHASE PRICE IS
27 PAID, EXPENSES INCURRED IN ATTEMPTING TO COLLECT ANY ACCOUNT

1 RECEIVABLE OR ANY PORTION OF THE DEBT RECOVERED, ANY ACCOUNTS
2 RECEIVABLE THAT HAVE BEEN SOLD TO A THIRD PARTY FOR COLLECTION,
3 AND REPOSSESSED PROPERTY.

4 (B) "TAXPAYER" MEANS A PERSON LIABLE FOR A TAX UNDER THIS
5 ACT.