

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. Credit voucher for bad debts.

8 (a) Definitions. As used in this Section:

9 "Bad debt" means the taxes attributable to any portion of
10 a debt that is related to a sale of cigarettes subject to tax
11 under Section 2 that is not otherwise deductible or
12 excludable for any tax purpose, that has become worthless or
13 uncollectible within 60 days after the delivery of the
14 cigarettes that are represented by a claim. "Bad debt" does
15 not include any interest on the wholesale price of a
16 cigarette, uncollectible amounts on property that remains in
17 the possession of the distributor until the full purchase
18 price is paid, expenses incurred in attempting to collect any
19 account receivable or any portion of the debt recovered, any
20 accounts receivable that have been sold to a third party for
21 collection, or repossessed property.

22 "Reasonable collection practices" means that at least 3
23 attempts are made to collect the debt within 60 days after
24 the delivery of the cigarettes by providing written notices
25 with one being mailed within 30 days after the delivery and
26 another being mailed within 45 days after delivery, which
27 shall be mailed by certified mail.

28 "Written notice" means notice in writing from the
29 distributor to the retailer which shall include a statement
30 that a portion of the collection is for that amount of taxes
31 charged by the State and represented by the stamp.

1 "Person" means an actual person and any successor or
2 related party.

3 (b) The Department is authorized to issue credit vouchers
4 for bad debts to applicants meeting the requirements of this
5 Section. Beginning on January 1, 2004, a distributor may
6 submit an application to the Department for a credit voucher
7 in the amount of bad debts from the tax imposed under Section
8 2. The amount of the requested credit must be charged off as
9 uncollectible within 3 years after the stamps were first sold
10 to the distributor. Any claim for a credit voucher in the
11 amount of bad debts from the tax imposed under Section 2 is
12 subject to this statute of limitations and shall not be
13 allowed after 3 years after the stamp is first sold to the
14 distributor.

15 (c) The amount of the credit voucher shall be determined
16 using the following as guidelines:

17 (1) What is the amount of the taxes owed to the
18 distributor?

19 (2) Who owed the amount to the distributor?

20 (3) Is the amount owed greater than \$50?

21 (4) Has the distributor received a credit in any
22 other years as a result of a bad debt from this person?
23 If yes, the distributor is not eligible for the voucher
24 provided under this Section.

25 (5) Is the claim for a credit voucher made within 30
26 days after the determination that the debt is a bad debt
27 as defined by this Section?

28 (d) A credit voucher issued under this Section shall have
29 an expiration date of not less than 45 days after issuance.

30 (e) A claim for a credit voucher must be made within 30
31 days after the determination that the debt is a bad debt as
32 defined by this Section.

33 (f) Any claim for a bad debt submitted under this Section
34 must contain all of the following:

1 (1) A copy of the original invoice that must contain
2 the distributor's legal name and address, as well as the
3 legal name of the retailer.

4 (2) The name of the person who is responsible for
5 the bad debt.

6 (3) Evidence that the cigarettes described in the
7 invoice and containing stamps were received by the person
8 who is responsible for the bad debt.

9 (4) Evidence that the person who is responsible for
10 the bad debt did not pay the distributor for the bad
11 debt.

12 (5) Evidence that the distributor used reasonable
13 collection practices in efforts to collect the bad debt.

14 (6) Evidence that the claim for a credit voucher is
15 made within 30 days after the determination that the debt
16 is a bad debt as defined by this Section.

17 (g) Recapture.

18 (1) A bad debt is reduced by any amounts collected
19 by the distributor from the retailer within the 60-day
20 period with respect to such debt, regardless of whether
21 the amounts so collected are attributable to or
22 designated by the parties or other law as collected with
23 respect to the taxes imposed under Section 2.

24 (2) Any amount subsequently collected by the
25 distributor from the retailer with respect to a debt that
26 gave rise to a credit voucher, regardless of any
27 designation of the parties or other law, shall be treated
28 as reimbursement for the taxes imposed under Section 2.

29 (3) In the case of a partially worthless debt, the
30 amount of the debt attributable to taxes imposed under
31 Section 2 shall be treated to the extent possible, as
32 attributable to the non-worthless portion of such debt.

33 (h) Any person aggrieved by any action of the Department
34 under this Section may protest the action by making a written

1 request for a hearing within 60 days after the original
2 action. If the hearing is not requested in writing within 60
3 days, the original action is final.

4 (i) An application for a credit voucher under this
5 Section must be signed by the claimant and verified.

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

8 (35 ILCS 135/3-2 new)

9 Sec. 3-2. Credit voucher for bad debts.

10 (a) Definitions. As used in this Section:

11 "Bad debt" means the taxes attributable to any portion of
12 a debt that is related to a sale of cigarettes subject to tax
13 under Section 2 that is not otherwise deductible or
14 excludable for any tax purpose, that has become worthless or
15 uncollectible within 60 days after the delivery of the
16 cigarettes that are represented by a claim. "Bad debt" does
17 not include any interest on the wholesale price of a
18 cigarette, uncollectible amounts on property that remains in
19 the possession of the distributor until the full purchase
20 price is paid, expenses incurred in attempting to collect any
21 account receivable or any portion of the debt recovered, any
22 accounts receivable that have been sold to a third party for
23 collection, or repossessed property.

24 "Reasonable collection practices" means that at least 3
25 attempts are made to collect the debt within 60 days after
26 the delivery of the cigarettes by providing written notices
27 with one being mailed within 30 days after the delivery and
28 another being mailed within 45 days after delivery, which
29 shall be mailed by certified mail.

30 "Written notice" means notice in writing from the
31 distributor to the retailer which shall include a statement
32 that a portion of the collection is for that amount of taxes

1 charged by the State and represented by the stamp.

2 "Person" means an actual person and any successor or
3 related party.

4 (b) The Department is authorized to issue credit vouchers
5 for bad debts to applicants meeting the requirements of this
6 Section. Beginning on January 1, 2004, a distributor may
7 submit an application to the Department for a credit voucher
8 in the amount of bad debts from the tax imposed under Section
9 2. The amount of the requested credit must be charged off as
10 uncollectible within 3 years after the stamps were first sold
11 to the distributor. Any claim for a credit voucher in the
12 amount of bad debts from the tax imposed under Section 2 is
13 subject to this statute of limitations and shall not be
14 allowed after 3 years after the stamp is first sold to the
15 distributor.

16 (c) The amount of the credit voucher shall be determined
17 using the following as guidelines:

18 (1) What is the amount of the taxes owed to the
19 distributor?

20 (2) Who owed the amount to the distributor?

21 (3) Is the amount owed greater than \$50?

22 (4) Has the distributor received a credit in any
23 other years as a result of a bad debt from this person?
24 If yes, the distributor is not eligible for the voucher
25 provided under this Section.

26 (5) Is the claim for a credit voucher made within 30
27 days after the determination that the debt is a bad debt
28 as defined by this Section?

29 (d) A credit voucher issued under this Section shall have
30 an expiration date of not less than 45 days after issuance.

31 (e) A claim for a credit voucher must be made within 30
32 days after the determination that the debt is a bad debt as
33 defined by this Section.

34 (f) Any claim for a bad debt submitted under this Section

1 must contain all of the following:

2 (1) A copy of the original invoice that must contain
3 the distributor's legal name and address, as well as the
4 legal name of the retailer.

5 (2) The name of the person who is responsible for
6 the bad debt.

7 (3) Evidence that the cigarettes described in the
8 invoice and containing stamps were received by the person
9 who is responsible for the bad debt.

10 (4) Evidence that the person who is responsible for
11 the bad debt did not pay the distributor for the bad
12 debt.

13 (5) Evidence that the distributor used reasonable
14 collection practices in efforts to collect the bad debt.

15 (6) Evidence that the claim for a credit voucher is
16 made within 30 days after the determination that the debt
17 is a bad debt as defined by this Section.

18 (g) Recapture.

19 (1) A bad debt is reduced by any amounts collected
20 by the distributor from the retailer within the 60-day
21 period with respect to such debt, regardless of whether
22 the amounts so collected are attributable to or
23 designated by the parties or other law as collected with
24 respect to the taxes imposed under Section 2.

25 (2) Any amount subsequently collected by the
26 distributor from the retailer with respect to a debt that
27 gave rise to a credit voucher, regardless of any
28 designation of the parties or other law, shall be treated
29 as reimbursement for the taxes imposed under Section 2.

30 (3) In the case of a partially worthless debt, the
31 amount of the debt attributable to taxes imposed under
32 Section 2 shall be treated to the extent possible, as
33 attributable to the non-worthless portion of such debt.

34 (h) Any person aggrieved by any action of the Department

1 under this Section may protest the action by making a written
2 request for a hearing within 60 days after the original
3 action. If the hearing is not requested in writing within 60
4 days, the original action is final.

5 (i) An application for a credit voucher under this
6 Section must be signed by the claimant and verified.

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

9 (35 ILCS 143/10-32 new)

10 Sec. 3-2. Credit voucher for bad debts.

11 (a) Definitions. As used in this Section:

12 "Bad debt" means the taxes attributable to any portion of
13 a debt that is related to a sale of cigarettes subject to tax
14 under Section 10-10 that is not otherwise deductible or
15 excludable for any tax purpose, that has become worthless or
16 uncollectible within 60 days after the delivery of the
17 cigarettes that are represented by a claim. "Bad debt" does
18 not include any interest on the wholesale price of a
19 cigarette, uncollectible amounts on property that remains in
20 the possession of the distributor until the full purchase
21 price is paid, expenses incurred in attempting to collect any
22 account receivable or any portion of the debt recovered, any
23 accounts receivable that have been sold to a third party for
24 collection, or repossessed property.

25 "Reasonable collection practices" means that at least 3
26 attempts are made to collect the debt within 60 days after
27 the delivery of the cigarettes by providing written notices
28 with one being mailed within 30 days after the delivery and
29 another being mailed within 45 days after delivery, which
30 shall be mailed by certified mail.

31 "Written notice" means notice in writing from the
32 distributor to the retailer which shall include a statement

1 that a portion of the collection is for that amount of taxes
2 charged by the State and represented by the stamp.

3 "Person" means an actual person and any successor or
4 related party.

5 (b) The Department is authorized to issue credit vouchers
6 for bad debts to applicants meeting the requirements of this
7 Section. Beginning on January 1, 2004, a distributor may
8 submit an application to the Department for a credit voucher
9 in the amount of bad debts from the tax imposed under Section
10 10-10. The amount of the requested credit must be charged off
11 as uncollectible within 3 years after the stamps were first
12 sold to the distributor. Any claim for a credit voucher in
13 the amount of bad debts from the tax imposed under Section
14 10-10 is subject to this statute of limitations and shall not
15 be allowed after 3 years after the stamp is first sold to the
16 distributor.

17 (c) The amount of the credit voucher shall be determined
18 using the following as guidelines:

19 (1) What is the amount of the taxes owed to the
20 distributor?

21 (2) Who owed the amount to the distributor?

22 (3) Is the amount owed greater than \$50?

23 (4) Has the distributor received a credit in any
24 other years as a result of a bad debt from this person?
25 If yes, the distributor is not eligible for the voucher
26 provided under this Section.

27 (5) Is the claim for a credit voucher made within 30
28 days after the determination that the debt is a bad debt
29 as defined by this Section?

30 (d) A credit voucher issued under this Section shall have
31 an expiration date of not less than 45 days after issuance.

32 (e) A claim for a credit voucher must be made within 30
33 days after the determination that the debt is a bad debt as
34 defined by this Section.

1 (f) Any claim for a bad debt submitted under this Section
2 must contain all of the following:

3 (1) A copy of the original invoice that must contain
4 the distributor's legal name and address, as well as the
5 legal name of the retailer.

6 (2) The name of the person who is responsible for
7 the bad debt.

8 (3) Evidence that the cigarettes described in the
9 invoice and containing stamps were received by the person
10 who is responsible for the bad debt.

11 (4) Evidence that the person who is responsible for
12 the bad debt did not pay the distributor for the bad
13 debt.

14 (5) Evidence that the distributor used reasonable
15 collection practices in efforts to collect the bad debt.

16 (6) Evidence that the claim for a credit voucher is
17 made within 30 days after the determination that the debt
18 is a bad debt as defined by this Section.

19 (g) Recapture.

20 (1) A bad debt is reduced by any amounts collected
21 by the distributor from the retailer within the 60-day
22 period with respect to such debt, regardless of whether
23 the amounts so collected are attributable to or
24 designated by the parties or other law as collected with
25 respect to the taxes imposed under Section 10-10.

26 (2) Any amount subsequently collected by the
27 distributor from the retailer with respect to a debt that
28 gave rise to a credit voucher, regardless of any
29 designation of the parties or other law, shall be treated
30 as reimbursement for the taxes imposed under Section
31 10-10.

32 (3) In the case of a partially worthless debt, the
33 amount of the debt attributable to taxes imposed under
34 Section 10-10 shall be treated to the extent possible, as

1 attributable to the non-worthless portion of such debt.

2 (h) Any person aggrieved by any action of the Department
3 under this Section may protest the action by making a written
4 request for a hearing within 60 days after the original
5 action. If the hearing is not requested in writing within 60
6 days, the original action is final.

7 (i) An application for a credit voucher under this
8 Section must be signed by the claimant and verified.

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.