



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB0552

Introduced 1/27/2005, by Rep. William B. Black

SYNOPSIS AS INTRODUCED:

35 ILCS 130/3-2 new
35 ILCS 135/3-2 new
35 ILCS 143/10-32 new

Amends the Cigarette Tax Act, the Cigarette Use Tax Act, and the Tobacco Products Tax Act of 1995. Provides that, beginning on January 1, 2006, a distributor may deduct the amount of bad debts from the tax imposed under these Acts. Provides that "bad debt" means the taxes attributable to any portion of a debt owed to the distributor that is related to a sale of cigarettes or tobacco products subject to tax under these Acts, that is not otherwise deductible or excludable, that has become worthless or uncollectible, and that meets other criteria. Effective immediately.

LRB094 06727 BDD 36826 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

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. Bad debts deductible.

8 (a) Beginning on January 1, 2006, a distributor may deduct
9 the amount of bad debts from the tax imposed under Section 2.
10 The amount deducted must be charged off as uncollectible on the
11 books of the distributor. If a person pays all or part of a bad
12 debt with respect to which a distributor claimed a deduction
13 under this Section, the distributor shall be liable for the
14 amount of taxes deducted in connection with that portion of the
15 debt for which payment is received and shall remit these taxes
16 in his or her next payment to the Department under Section 3.

17 (b) Any claim for a bad debt deduction under this Section
18 shall be supported by all of the following:

19 (1) A copy of the original invoice.

20 (2) Evidence that the cigarettes described in the
21 invoice were delivered to the person who ordered them.

22 (3) Evidence that the person who ordered and received
23 the cigarettes did not pay the distributor for the
24 cigarettes and that the distributor used reasonable
25 collection practices in attempting to collect the debt.

26 (4) As used in this Section, "bad debt" means the taxes
27 attributable to any portion of a debt that is related to a
28 sale of cigarettes subject to tax under Section 2 that is
29 not otherwise deductible or excludable, that has become
30 worthless or uncollectible in the time period between the
31 date when taxes accrue to the State for the distributor's
32 preceding tax return and the date when taxes accrue to the

1 State for the present return, and that is eligible to be
2 claimed, or could be eligible to be claimed if the
3 distributor kept accounts on an accrual basis, as a
4 deduction pursuant to Section 166 of the Internal Revenue
5 Code. A bad debt shall not include any interest on the
6 wholesale price of a cigarette, uncollectible amounts on
7 property that remains in the possession of the distributor
8 until the full purchase price is paid, expenses incurred in
9 attempting to collect any account receivable or any portion
10 of the debt recovered, any accounts receivable that have
11 been sold to a third party for collection, and repossessed
12 property.

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

15 (35 ILCS 135/3-2 new)

16 Sec. 3-2. Bad debts deductible.

17 (a) Beginning on January 1, 2006, a distributor may deduct
18 the amount of bad debts from the tax imposed under Section 2.
19 The amount deducted must be charged off as uncollectible on the
20 books of the distributor. If a person pays all or part of a bad
21 debt with respect to which a distributor claimed a deduction
22 under this Section, the distributor shall be liable for the
23 amount of taxes deducted in connection with that portion of the
24 debt for which payment is received and shall remit these taxes
25 in his or her next payment to the Department under Section 3.

26 (b) Any claim for a bad debt deduction under this Section
27 shall be supported by all of the following:

28 (1) A copy of the original invoice.

29 (2) Evidence that the cigarettes described in the
30 invoice were delivered to the person who ordered them.

31 (3) Evidence that the person who ordered and received
32 the cigarettes did not pay the distributor for the
33 cigarettes and that the distributor used reasonable
34 collection practices in attempting to collect the debt.

1 (4) As used in this Section, "bad debt" means the taxes
2 attributable to any portion of a debt that is related to a
3 sale of tobacco products subject to tax under Section 10-10
4 that is not otherwise deductible or excludable, that has
5 become worthless or uncollectible in the time period
6 between the date when taxes accrue to the State for the
7 distributor's preceding tax return and the date when taxes
8 accrue to the State for the present return, and that is
9 eligible to be claimed, or could be eligible to be claimed
10 if the distributor kept accounts on an accrual basis, as a
11 deduction pursuant to Section 166 of the Internal Revenue
12 Code. A bad debt shall not include any interest on the
13 wholesale price of a tobacco product, uncollectible
14 amounts on property that remains in the possession of the
15 distributor until the full purchase price is paid, expenses
16 incurred in attempting to collect any account receivable or
17 any portion of the debt recovered, any accounts receivable
18 that have been sold to a third party for collection, and
19 repossessed property.

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

22 (35 ILCS 143/10-32 new)

23 Sec. 10-32. Bad debts deductible.

24 (a) Beginning on January 1, 2006, a distributor may deduct
25 the amount of bad debts from the tax imposed under Section
26 10-10. The amount deducted must be charged off as uncollectible
27 on the books of the distributor. If a person pays all or part
28 of a bad debt with respect to which a distributor claimed a
29 deduction under this Section, the distributor shall be liable
30 for the amount of taxes deducted in connection with that
31 portion of the debt for which payment is received and shall
32 remit these taxes in his or her next payment to the Department
33 under Section 10-30.

34 (b) Any claim for a bad debt deduction under this Section

1 shall be supported by all of the following:

2 (1) A copy of the original invoice.

3 (2) Evidence that the tobacco products described in the
4 invoice were delivered to the person who ordered them.

5 (3) Evidence that the person who ordered and received
6 the tobacco products did not pay the distributor for the
7 tobacco products and that the distributor used reasonable
8 collection practices in attempting to collect the debt.

9 (4) As used in this Section, "bad debt" means the taxes
10 attributable to any portion of a debt that is related to a
11 sale of tobacco products subject to tax under Section 10-10
12 that is not otherwise deductible or excludable, that has
13 become worthless or uncollectible in the time period
14 between the date when taxes accrue to the State for the
15 distributor's preceding tax return and the date when taxes
16 accrue to the State for the present return, and that is
17 eligible to be claimed, or could be eligible to be claimed
18 if the distributor kept accounts on an accrual basis, as a
19 deduction pursuant to Section 166 of the Internal Revenue
20 Code. A bad debt shall not include any interest on the
21 wholesale price of a tobacco product, uncollectible
22 amounts on property that remains in the possession of the
23 distributor until the full purchase price is paid, expenses
24 incurred in attempting to collect any account receivable or
25 any portion of the debt recovered, any accounts receivable
26 that have been sold to a third party for collection, and
27 repossessed property.

28 Section 99. Effective date. This Act takes effect upon
29 becoming law.