

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, 2004, a distributor may
9 deduct the amount of bad debts from the tax imposed under
10 Section 2. The amount deducted must be charged off as
11 uncollectible on the books of the distributor. If a person
12 pays all or part of a bad debt with respect to which a
13 distributor claimed a deduction under this Section, the
14 distributor shall be liable for the amount of taxes deducted
15 in connection with that portion of the debt for which payment
16 is received and shall remit these taxes in his or her next
17 payment to the Department under Section 3.

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

20 (1) A copy of the original invoice.

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

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

27 (4) As used in this Section, "bad debt" means the
28 taxes attributable to any portion of a debt that is
29 related to a sale of cigarettes subject to tax under
30 Section 2 that is not otherwise deductible or excludable,
31 that has become worthless or uncollectible in the time

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

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

17 (35 ILCS 135/3-2 new)

18 Sec. 3-2. Bad debts deductible.

19 (a) Beginning on January 1, 2004, a distributor may
20 deduct the amount of bad debts from the tax imposed under
21 Section 2. The amount deducted must be charged off as
22 uncollectible on the books of the distributor. If a person
23 pays all or part of a bad debt with respect to which a
24 distributor claimed a deduction under this Section, the
25 distributor shall be liable for the amount of taxes deducted
26 in connection with that portion of the debt for which payment
27 is received and shall remit these taxes in his or her next
28 payment to the Department under Section 3.

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

31 (1) A copy of the original invoice.

32 (2) Evidence that the cigarettes described in the

1 invoice were delivered to the person who ordered them.

2 (3) Evidence that the person who ordered and
3 received the cigarettes did not pay the distributor for
4 the cigarettes and that the distributor used reasonable
5 collection practices in attempting to collect the debt.

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

25 Section 15. The Tobacco Products Tax Act of 1995 is
26 amended by changing Section 10-32 as follows:

27 (35 ILCS 143/10-32 new)

28 Sec. 10-32. Bad debts deductible.

29 (a) Beginning on January 1, 2004, a distributor may
30 deduct the amount of bad debts from the tax imposed under

1 Section 10-10. The amount deducted must be charged off as
2 uncollectible on the books of the distributor. If a person
3 pays all or part of a bad debt with respect to which a
4 distributor claimed a deduction under this Section, the
5 distributor shall be liable for the amount of taxes deducted
6 in connection with that portion of the debt for which payment
7 is received and shall remit these taxes in his or her next
8 payment to the Department under Section 10-30.

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

11 (1) A copy of the original invoice.

12 (2) Evidence that the tobacco products described in
13 the invoice were delivered to the person who ordered
14 them.

15 (3) Evidence that the person who ordered and
16 received the tobacco products did not pay the distributor
17 for the tobacco products and that the distributor used
18 reasonable collection practices in attempting to collect
19 the debt.

20 (4) As used in this Section, "bad debt" means the
21 taxes attributable to any portion of a debt that is
22 related to a sale of tobacco products subject to tax
23 under Section 10-10 that is not otherwise deductible or
24 excludable, that has become worthless or uncollectible in
25 the time period between the date when taxes accrue to the
26 State for the distributor's preceding tax return and the
27 date when taxes accrue to the State for the present
28 return, and that is eligible to be claimed, or could be
29 eligible to be claimed if the distributor kept accounts
30 on an accrual basis, as a deduction pursuant to Section
31 166 of the Internal Revenue Code. A bad debt shall not
32 include any interest on the wholesale price of a tobacco
33 product, uncollectible amounts on property that remains
34 in the possession of the distributor until the full

1 purchase price is paid, expenses incurred in attempting
2 to collect any account receivable or any portion of the
3 debt recovered, any accounts receivable that have been
4 sold to a third party for collection, and repossessed
5 property.

6 Section 99. Effective date. This Act takes effect upon
7 becoming law.