



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB0607

Introduced 2/5/2007, 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, 2008, 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.

LRB095 08934 BDD 29123 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, 2008, 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

1 cigarettes and that the distributor used reasonable
2 collection practices in attempting to collect the debt.

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

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

24 (35 ILCS 135/3-2 new)

1 Sec. 3-2. Bad debts deductible.

2 (a) Beginning on January 1, 2008, a distributor may deduct
3 the amount of bad debts from the tax imposed under Section 2.
4 The amount deducted must be charged off as uncollectible on the
5 books of the distributor. If a person pays all or part of a bad
6 debt with respect to which a distributor claimed a deduction
7 under this Section, the distributor shall be liable for the
8 amount of taxes deducted in connection with that portion of the
9 debt for which payment is received and shall remit these taxes
10 in his or her next payment to the Department under Section 3.

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

13 (1) A copy of the original invoice.

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

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

20 (4) As used in this Section, "bad debt" means the taxes
21 attributable to any portion of a debt that is related to a
22 sale of tobacco products subject to tax under Section 10-10
23 that is not otherwise deductible or excludable, that has
24 become worthless or uncollectible in the time period
25 between the date when taxes accrue to the State for the
26 distributor's preceding tax return and the date when taxes

1 accrue to the State for the present return, and that is
2 eligible to be claimed, or could be eligible to be claimed
3 if the 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 tobacco product, uncollectible
7 amounts on property that remains in the possession of the
8 distributor until the full purchase price is paid, expenses
9 incurred in attempting to collect any account receivable or
10 any portion of the debt recovered, any accounts receivable
11 that have been sold to a third party for collection, and
12 repossessed property.

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

15 (35 ILCS 143/10-32 new)

16 Sec. 10-32. Bad debts deductible.

17 (a) Beginning on January 1, 2008, a distributor may deduct
18 the amount of bad debts from the tax imposed under Section
19 10-10. The amount deducted must be charged off as uncollectible
20 on the books of the distributor. If a person pays all or part
21 of a bad debt with respect to which a distributor claimed a
22 deduction under this Section, the distributor shall be liable
23 for the amount of taxes deducted in connection with that
24 portion of the debt for which payment is received and shall

1 remit these taxes in his or her next payment to the Department
2 under Section 10-30.

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

5 (1) A copy of the original invoice.

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

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

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

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

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