

State of Rhode Island - Division of Taxation

Sales and Use Tax

Regulation SU 87-6

Bad Debts

A retailer is relieved from liability for sales tax to the extent to which the liability is represented by accounts which have become worthless and have been charged off for income tax purposes. If the retailer has paid the tax, the retailer is then entitled to a deduction from gross receipts for the amount of the worthless account. If the retailer subsequently collects such account in whole or in part the amount so collected must be included in the first sales tax return filed after such receipt.

To support claim for such deduction the retailer must maintain adequate and complete records showing:

- (a) date of original sale and name and address of purchaser;
- (b) amount purchaser contracted to pay;
- (c) amount on which retailer paid tax;
- (d) all payments or other credits applied to the worthless account;
- (e) evidence that the uncollectible portion of the gross receipts on which tax was paid actually has been charged off as a bad debt for income tax purposes and the date of such ascertainment.

R. GARY CLARK
TAX ADMINISTRATOR

DATE: May 1, 1987