



State of Wisconsin
2013 - 2014 LEGISLATURE



LRBs0403/1
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**ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO ASSEMBLY BILL 644**

March 20, 2014 - Offered by Representative NYGREN.

1 **AN ACT** *to renumber and amend* 77.585 (1) (a); *to amend* 77.585 (1) (b) and
2 77.585 (1) (c); and *to create* 77.585 (1) (a) 2. to 6. and 77.585 (1) (bm) of the
3 statutes; **relating to:** sales tax bad debt return adjustments for private label
4 credit card bad debt.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

5 **SECTION 1.** 77.585 (1) (a) of the statutes is renumbered 77.585 (1) (a) (intro.)
6 and amended to read:

7 77.585 (1) (a) (intro.) In this subsection, “bad:

8 1. “Bad debt” means the portion of the sales price or purchase price that the
9 seller has previously reported as taxable under this subchapter, and for which the
10 seller has paid the tax, and that the seller or lender may claim as a deduction under
11 section 166 of the Internal Revenue Code. “Bad debt” does not include financing

1 charges or interest, sales or use taxes imposed on the sales price or purchase price,
2 uncollectible amounts on tangible personal property or items, property, or goods
3 under s. 77.52 (1) (b), (c), or (d) that remain in the seller's possession until the full
4 sales price or purchase price is paid, expenses incurred in attempting to collect any
5 debt, debts sold or assigned to 3rd parties for collection, not including dual purpose
6 credit debts and private label credit debts, and repossessed property or items.

7 **SECTION 2.** 77.585 (1) (a) 2. to 6. of the statutes are created to read:

8 77.585 (1) (a) 2. "Dual purpose credit card" means a credit card that may be
9 used as a private label credit card or to make purchases from persons other than the
10 seller whose name or logo appears on the card or the seller's affiliates or franchisees,
11 if the credit card issuer is able to determine the sales receipts of the seller and the
12 seller's affiliates or franchisees apart from any sales receipts of unrelated persons.

13 3. "Dual purpose credit debt" means accounts and receivables that result from
14 credit sale transactions using a dual purpose credit card, but only to the extent the
15 account or receivable balance resulted from purchases made from the seller whose
16 name or logo appears on the card.

17 4. a. "Lender" means any person who owns a private label credit debt, an
18 interest in a private label credit debt, a dual purpose credit debt, or an interest in a
19 dual purpose credit debt, if the person purchased the debt or interest directly from
20 a seller who remitted the tax imposed under this subchapter or from a third party
21 or if the person originated the debt or interest pursuant to the person's contract with
22 the seller who remitted the tax imposed under this subchapter or with a third party.

23 b. "Lender" includes any person who is a member of the same affiliated group,
24 as defined under section 1504 of the Internal Revenue Code, as a lender or is an
25 assignee or other transferee of a lender.

1 5. “Private label credit card” means any charge card or credit card that
2 identifies a seller’s name or logo on the card and that may be used only for purchases
3 from that seller or from any of the seller’s affiliates or franchisees.

4 6. “Private label credit debt” means accounts and receivables that result from
5 credit sale transactions using a private label credit card, but only to the extent the
6 account or receivable balance resulted from purchases made from the seller whose
7 name or logo appears on the card.

8 **SECTION 3.** 77.585 (1) (b) of the statutes is amended to read:

9 77.585 (1) (b) A seller may claim as a deduction on a return under s. 77.58 the
10 amount of any bad debt that the seller or lender writes off as uncollectible in the
11 seller’s or lender’s books and records and that is eligible to be deducted as a bad debt
12 for federal income tax purposes, regardless of whether the seller or lender is required
13 to file a federal income tax return. A seller who claims a deduction under this
14 paragraph shall claim the deduction on the return under s. 77.58 that is submitted
15 for the period in which the seller or lender writes off the amount of the deduction as
16 uncollectible in the seller’s or lender’s books and records and in which such amount
17 is eligible to be deducted as bad debt for federal income tax purposes. If the seller
18 or lender subsequently collects in whole or in part any bad debt for which a deduction
19 is claimed under this paragraph, the seller shall include the amount collected in the
20 return filed for the period in which the amount is collected and shall pay the tax with
21 the return.

22 **SECTION 4.** 77.585 (1) (bm) of the statutes is created to read:

23 77.585 (1) (bm) For purposes of par. (b), a seller may compute the seller’s bad
24 debt deduction using an estimate, if the department approves the method for
25 computing the estimate. The department may audit the seller’s books and records

1 to review the estimate and adjust the estimate as necessary to reflect the actual
2 allowable bad debt amount.

3 **SECTION 5.** 77.585 (1) (c) of the statutes is amended to read:

4 77.585 (1) (c) For purposes of computing a bad debt deduction or reporting a
5 payment received on a previously claimed bad debt, any payment made on a debt or
6 on an account is applied first to the price of the tangible personal property, or items,
7 property, or goods under s. 77.52 (1) (b), (c), or (d), or service sold, and the
8 proportionate share of the sales tax on that property, or items, property, or goods
9 under s. 77.52 (1) (b), (c), or (d), or service, and then to interest, service charges, and
10 other charges related to the sale. If payment is received on an account for which the
11 balance reflects multiple sales transactions, the payment is applied to the sales
12 transactions in the same order in which the sales transactions occurred.

13 **SECTION 6. Effective date.**

14 (1) This act takes effect on July 1, 2015.

15 (END)