

**280-RICR-20-70-22**

## **TITLE 280 – DEPARTMENT OF REVENUE**

### **CHAPTER 20 – DIVISION OF TAXATION**

#### **SUBCHAPTER 70 – SALES AND USE TAX**

##### **PART 22 – Bad Debts**

### **22.1 Purpose**

This regulation implements R.I. Gen. Laws Chapter 44-18.1. This regulation provides for the treatment of Bad Debts.

### **22.2 Authority**

This regulation is promulgated pursuant to R.I. Gen. Laws Chapter 44-18.1 as amended, R.I. Gen. Laws §§ 44-1-4, 44-18.1-1 and 44-19-33. Additionally these regulations have been prepared in accordance with the requirements of R.I. Gen. Laws Chapter 42-35 - Rhode Island Administrative Procedures Act.

### **22.3 Application**

The terms and provisions of these rules and regulations shall be liberally construed to permit the Department of Revenue to effectuate the purposes of R.I. Gen. Laws Chapter 44-18.1 and other applicable state laws and regulations.

### **22.4 Severability**

If any provision of these rules and regulations, or the application thereof to any person or circumstances, is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected thereby.

### **22.5 Bad Debts**

- A. 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.

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

1. Date of original sale and name and address of purchaser;
2. Amount purchaser contracted to pay;
3. Amount on which retailer paid tax;
4. All payments or other credits applied to the worthless account; and
5. 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.

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**PART 22 - Bad Debts (280-RICR-20-70-22)**

Type of Filing: Amendment  
Effective Date: 03/16/2018

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