Rules of

Department of Revenue

Division 10—Director of Revenue
Chapter 115—Sales/Use Tax—Statute of Limitations

Title 12—DEPARTMENT OF REVENUE
Division 10—Director of Revenue
Chapter 115—Sales/Use Tax—Statute of Limitations

12 CSR 10-115.100 Bad Debts Credit or Refund

PURPOSE: sections 144.190 and 144.696, RSMo provide for refund of overpayments. Section 144.220, RSMo sets forth the law on the statute of limitations. This rule explains how to claim a credit or refund for tax paid on a sale that has become a bad debt.

(1) In general, a seller may file for a credit or refund within the three-year statute of limitations when sales are written off as bad debts.

(2) Definition of Terms.

(A) Bad debt is a sale that has been written off for state or federal income tax purposes. In order to qualify for a bad debt deduction for sales or use tax purposes, a sale must have been previously reported as taxable.

(B) Accrual or gross sales reporting method means a seller reports the sale and remits the tax at the time of the sale. The receipts are not received from the buyer until a later date. Therefore, a timing difference occurs between the time that the sale, with applicable sales tax, is reported to the state and the time that the seller receives payment from the buyer.

(3) Basic Application of the Law.

(A) A seller may file for a refund or credit within the three-year statute of limitations for those sales written off as bad debts if the sales were reported using the accrual or gross sales method. This period is calculated from the due date of the return or the date the tax was paid, whichever is later.

(B) If a bad debt credit or refund is given and the debt is later collected, that amount must be reported on the next return as a taxable sale.

(4) Examples.

(A) A retailer reports and pays sales tax on the accrual or gross sales method. The retailer determines some sales to customers are not collectible and writes them off as bad debts for income tax purposes. The retailer requests a credit or refund from the state within the three-year statute of limitations. The credit or refund would be granted.

(B) A retailer reports and pays sales tax on the accrual or gross sales method. The retailer determines some sales to customers are not collectible and writes them off as bad debts for income tax purposes. The retailer requests a credit or refund from the state four years after the sale was reported and the tax was remitted to the state. The credit or refund would be denied.

AUTHORITY: section 144.270, RSMo 1994. Original rule filed April 19, 2000, effective Oct. 30, 2000.*

**Original authority: 144.270, RSMo 1939, amended 1941, 1943, 1945, 1947, 1955, 1961.*