

**Florida Department of Revenue
Tax Information Publication**

TIP 03A01-12

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**Time Limit for Seeking a Credit or Refund of Sales Tax
Remitted on a Bad Debt Account**

Questions have arisen from dealers concerning the date to be used to determine the availability of a sales tax credit or refund and the filing of a federal income tax return as a requirement for a credit or refund. Both of these issues are addressed below.

Section 212.17(3), Florida Statutes (F.S.), states:

A dealer who has paid the tax imposed by this chapter on tangible personal property or services may take a credit or obtain a refund for any tax paid by the dealer on the unpaid balance due on worthless accounts within 12 months following the month in which the bad debt has been charged off for federal income tax purposes. If any accounts so charged off for which a credit or refund has been obtained are thereafter in whole or in part paid to the dealer, the amount so paid shall be included in the first return filed after such collection and the tax paid accordingly.

"Charged off for federal income tax purposes" means either the date the debt is written off the dealer's books or the end of the dealer's fiscal year. Therefore, a dealer is allowed to take a credit or obtain a refund for tax paid on an account written off as a bad debt beginning on the date the dealer deducts the bad debt account from its books through 12 months after the end of the dealer's fiscal year. The date on which the dealer files a federal income tax return that includes the bad debt accounts is irrelevant and should not be used to determine the availability of a credit or refund.

Example 1: A dealer writes off a worthless account on his books on February 1, 2003. The dealer uses the calendar year, so that

his fiscal year ends on December 31, 2003. The dealer is allowed to take a credit for the tax remitted on the worthless account on his February 2003 sales and use tax return, due March 20, 2003. The dealer may instead choose to seek a refund of the tax remitted on the worthless account. The application for refund must be dated between February 1, 2003, and December 31, 2004. The dealer will be barred from taking a credit or seeking a refund after December 31, 2004.

Example 2: Same facts as Example 1, except the dealer does not take a credit on his February 2003 sales and use tax return. The dealer can take a credit or seek a refund for 12 months following the end of his fiscal year. The dealer's fiscal year is the calendar year; therefore, the dealer can take a credit or seek a refund for 12 months following December 31, 2003. The dealer will be barred from taking a credit or seeking a refund after December 31, 2004.

Example 3: A dealer carries several bad debt accounts on its books during its 2002 fiscal year, which is the same as the calendar year. The dealer writes off those debts in December 2002. The dealer can take a credit or apply for a refund for tax remitted on those accounts at any time during the 2003 calendar year. The dealer will be barred from taking a credit or seeking a refund after December 31, 2003.

The actual filing of a federal income tax return has no bearing on the condition of "for federal income tax purposes" and **is not** a requirement to seek a refund or credit for the tax remitted on worthless accounts. To be "charged off for federal income tax purposes" means that the dealer must have written off the bad debt on the dealer's books for purposes of determining taxable income on a federal return. It does not mean that a federal return must be filed. Section 212.17(3), F.S., allows dealers to take a credit or seek a refund as soon as the bad debt is written off, rather than having to wait until after a federal return has been filed, and takes into account a bad debt write-off by dealers on the cash basis method of accounting who do not deduct the bad debt directly on the federal return.

A credit or refund is available only for specific accounts that

have been written off. No credit or refund can be given for a bad debt reserve write-off or a write-off based on a percentage, rather than tied to individual accounts.

Reference: Section 212.17(3), Florida Statutes

FOR MORE INFORMATION

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit our Internet site at www.myflorida.com/dor. Or call Taxpayer Services, 8:00 a.m., to 7:00 p.m., ET, Monday through Friday, excluding holidays, at 800-352-3671 or 850-488-6800.

Hearing- or speech-impaired persons should call our TDD at 800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, 1379 Blountstown Highway, Tallahassee, FL 32304-2716.

To receive a fax copy of a form, call 850-922-3676 from your fax machine telephone.