

HOUSE BILL No. 4509
(as amended April 9, 1997)

A bill to amend 1937 PA 94, entitled
"Use tax act,"
(MCL 205.91 to 205.111) by adding section 8.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 8. (1) A SELLER REQUIRED TO COLLECT THE TAX UNDER THIS
2 ACT WHO PROVIDES A SERVICE DESCRIBED UNDER SECTION 3A(A) OR (C)
3 MAY DEDUCT THE AMOUNT OF AN UNCOLLECTIBLE ACCOUNT FROM THE AMOUNT
4 OF THE PRICE OF SERVICES USED TO DETERMINE THE TOTAL TAX LIABIL-
5 ITY UNDER THIS ACT. THE AMOUNT OF [THE UNCOLLECTIBLE ACCOUNT
6 DEDUCTED FROM] THE PRICE UPON WHICH THE TAX
7 LIABILITY IS CALCULATED MUST BE CHARGED OFF AS UNCOLLECTIBLE ON
8 THE BOOKS OF THE SELLER. IF THE SELLER PROVIDES TAXABLE AND NON-
9 TAXABLE SERVICES, THE DEDUCTION SHALL EQUAL THE FULL AMOUNT OF
10 THE UNCOLLECTIBLE ACCOUNT ONLY IF THE UNCOLLECTIBLE ACCOUNT IS
11 DOCUMENTED AS A TAXABLE TRANSACTION IN THE SELLER'S RECORDS. IF
DOCUMENTATION IS NOT AVAILABLE, THE MAXIMUM DEDUCTION FOR ANY

1 UNCOLLECTIBLE ACCOUNT IS EQUAL TO THE AMOUNT DETERMINED BY
2 MULTIPLYING THE UNCOLLECTIBLE ACCOUNT BY THE QUOTIENT OF THE
3 PRICE OF SERVICES TAXED UNDER THIS ACT PROVIDED DURING THE IMME-
4 DIATELY PRECEDING CALENDAR YEAR DIVIDED BY THE PRICE OF ALL SERV-
5 ICES PROVIDED DURING THE IMMEDIATELY PRECEDING CALENDAR YEAR
6 WHETHER TAXED OR NOT TAXED UNDER THIS ACT.

7 (2) IF A PERSON PAYS ALL OR A PART OF AN UNCOLLECTIBLE
8 ACCOUNT AFTER THE SELLER HAS CLAIMED A DEDUCTION, THE SELLER IS
9 LIABLE FOR THE AMOUNT OF TAXES DEDUCTED FOR THAT PORTION OF THE
10 UNCOLLECTIBLE ACCOUNT AND SHALL REMIT THE TAXES IN HIS OR HER
11 NEXT PAYMENT TO THE DEPARTMENT.

12 (3) THE DEPARTMENT MAY REQUIRE SUPPORTING EVIDENCE FOR ANY
13 CLAIM OF AN UNCOLLECTIBLE ACCOUNT UNDER THIS SECTION.

14 (4) AS USED IN THIS SECTION, "UNCOLLECTIBLE ACCOUNT" MEANS
15 ANY PORTION OF A DEBT RELATED TO THE PROVISION OF A SERVICE FOR
16 WHICH THE PRICE IS NOT DEDUCTIBLE OR EXCLUDABLE THAT HAS BECOME
17 WORTHLESS OR UNCOLLECTIBLE IN THE TIME PERIOD BETWEEN THE DATE
18 WHEN TAXES ACCRUE TO THE STATE FOR THE SELLER'S IMMEDIATELY PRE-
19 CEDING USE TAX RETURN AND THE DATE WHEN TAXES ACCRUE TO THE STATE
20 FOR THE CURRENT RETURN AND THAT IS ELIGIBLE TO BE CLAIMED OR
21 COULD BE ELIGIBLE TO BE CLAIMED IF THE SELLER KEPT ACCOUNTS ON AN
22 ACCRUAL BASIS AS A DEDUCTION UNDER SECTION 166 OF THE INTERNAL
23 REVENUE CODE. AN UNCOLLECTIBLE ACCOUNT DOES NOT INCLUDE ANY
24 INTEREST ON THE PRICE, EXPENSES INCURRED IN ATTEMPTING TO COLLECT
25 ANY ACCOUNT RECEIVABLE OR ANY PORTION OF THE DEBT RECOVERED, OR
26 ANY ACCOUNT RECEIVABLE THAT HAS BEEN SOLD TO A THIRD PARTY.