



HOUSE BILL No. 5991

July 3, 1996, Introduced by Reps. Dobb, Middaugh, Profit, Goschka, Whyman, Green, Kukuk, Ryan, Munsell, Hammerstrom, Walberg, McBryde, Perricone, Jellema, Gernaat, Brackenridge, Rhead, Jaye, Randall, Agee, Baade, Bennane, Llewellyn, Wetters, Bodem, Galloway and Gustafson and referred to the Committee on Tax Policy.

A bill to amend Act No. 94 of the Public Acts of 1937, entitled as amended

"Use tax act,"

as amended, being sections 205.91 to 205.111 of the Michigan Compiled Laws, by adding section 8.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 94 of the Public Acts of 1937, as
2 amended, being sections 205.91 to 205.111 of the Michigan
3 Compiled Laws, is amended by adding section 8 to read as
4 follows:

5 SEC. 8. (1) A SELLER REQUIRED TO COLLECT THE TAX UNDER THIS
6 ACT WHO PROVIDES A SERVICE DESCRIBED UNDER SECTION 3A(A) OR (C)
7 MAY DEDUCT THE AMOUNT OF AN UNCOLLECTIBLE ACCOUNT FROM THE AMOUNT
8 OF THE PRICE OF SERVICES USED TO DETERMINE THE TOTAL TAX
9 LIABILITY UNDER THIS ACT. THE AMOUNT OF THE PRICE UPON WHICH THE

1 TAX LIABILITY IS CALCULATED MUST BE CHARGED OFF AS UNCOLLECTIBLE
2 ON THE BOOKS OF THE SELLER. IF THE SELLER PROVIDES TAXABLE AND
3 NONTAXABLE SERVICES, THE DEDUCTION SHALL EQUAL THE FULL AMOUNT OF
4 THE UNCOLLECTIBLE ACCOUNT ONLY IF THE UNCOLLECTIBLE ACCOUNT IS
5 DOCUMENTED AS A TAXABLE TRANSACTION IN THE SELLER'S RECORDS. IF
6 DOCUMENTATION IS NOT AVAILABLE, THE MAXIMUM DEDUCTION FOR ANY
7 UNCOLLECTIBLE ACCOUNT IS EQUAL TO THE AMOUNT DETERMINED BY MULTI-
8 PLYING THE UNCOLLECTIBLE ACCOUNT BY THE QUOTIENT OF THE PRICE OF
9 SERVICES TAXED UNDER THIS ACT PROVIDED DURING THE IMMEDIATELY
10 PRECEDING CALENDAR YEAR DIVIDED BY THE PRICE OF ALL SERVICES PRO-
11 VIDED DURING THE IMMEDIATELY PRECEDING CALENDAR YEAR WHETHER
12 TAXED OR NOT TAXED UNDER THIS ACT.

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

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

20 (4) AS USED IN THIS SECTION, "UNCOLLECTIBLE ACCOUNT" MEANS
21 ANY PORTION OF A DEBT RELATED TO THE PROVISION OF A SERVICE FOR
22 WHICH THE PRICE IS NOT DEDUCTIBLE OR EXCLUDABLE THAT HAS BECOME
23 WORTHLESS OR UNCOLLECTIBLE IN THE TIME PERIOD BETWEEN THE DATE
24 WHEN TAXES ACCRUE TO THE STATE FOR THE SELLER'S IMMEDIATELY PRE-
25 CEDING USE TAX RETURN AND THE DATE WHEN TAXES ACCRUE TO THE STATE
26 FOR THE CURRENT RETURN AND THAT IS ELIGIBLE TO BE CLAIMED OR
27 COULD BE ELIGIBLE TO BE CLAIMED IF THE SELLER KEPT ACCOUNTS ON AN

1 ACCRUAL BASIS AS A DEDUCTION UNDER SECTION 166 OF THE INTERNAL
2 REVENUE CODE. AN UNCOLLECTIBLE ACCOUNT DOES NOT INCLUDE ANY
3 INTEREST ON THE PRICE, EXPENSES INCURRED IN ATTEMPTING TO COLLECT
4 ANY ACCOUNT RECEIVABLE OR ANY PORTION OF THE DEBT RECOVERED, OR
5 ANY ACCOUNT RECEIVABLE THAT HAS BEEN SOLD TO A THIRD PARTY.