# Rules of Department of Revenue

## Division 10—Director of Revenue

## Chapter 115—Sales/Use Tax—Statute of Limitations

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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 limita-
tions 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 cred-
it 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 tax-
able sale.

(4) Examples.
(A) A retailer reports and pays sales tax on
the accrual or gross sales method. The retail-
er 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

*Original authority: 144.270, RSMo 1939, amended 1941,