## 297A.81 UNCOLLECTIBLE DEBTS; OFFSET AGAINST OTHER TAXES.

Subdivision 1. **General.** The taxpayer may offset against the taxes payable for any reporting period the amount of taxes imposed by this chapter previously paid as a result of any transaction the consideration for which became a debt owed to the taxpayer that became uncollectible during the reporting period, but only in proportion to the portion of the debt that became uncollectible. Section 289A.40, subdivision 2, applies to an offset under this section.

Subd. 2. **Manner of allowing deduction for uncollectible debt.** (a) Uncollectible debt is allowed as a deduction in the manner provided in this subdivision.

(b) If the uncollectible debt arose with respect to a sale required to be included in gross receipts, subject to a tax imposed under chapter 297A, the entire amount of the debt remaining uncollected is allowed as a deduction.

(c) If the uncollectible debt arose with respect to a sale partly subject to the tax imposed under chapter 297A and partly exempt, the amount of the uncollectible debt allowed as a deduction is the amount derived by multiplying the uncollectible debt by the percentage that the taxable sale bears to the total sales.

(d) If the uncollectible debt arose with respect to two or more sales made at successive intervals, payments made before the date the debt became uncollectible must be applied first to the earliest sale upon which there is an unpaid balance, and to following sales in successive order.

(e) If the books and records of the taxpayer claiming the bad debt allowance support an allocation of the bad debts among the member states of the streamlined sales and use tax agreement, such an allocation shall be allowed.

Subd. 3. **Certified service provider.** A certified service provider, as defined in section 297A.995, subdivision 2, on behalf of a taxpayer who is its client, may offset against taxes as provided by this section.

**History:** *2000 c 418 art 1 s 25; 2003 c 127 art 1 s 27*