

**Sales Tax Credit or Refund No Longer Available for
Bad Debt Accounts Held by Private Label Credit Card Lenders**

Chapter 57 of the Laws of 2010 repealed subdivision (e-1) of section 1132 of the Tax Law. The repeal of this subdivision eliminates the sales tax credit and refund provisions applicable to *private label credit card* accounts that are held by a *lender* when all or a portion of a debt owed the lender is charged off by the lender as worthless. Under the terms of the repeal, no credit or refund may be claimed under the provisions of section 1132(e-1) on or after July 1, 2010, regardless of the date of the underlying sales tax transaction or the date the bad debt is written off.

Former Tax Law section 1132(e-1) allowed either a private label credit card lender or vendor to apply for a credit or refund of the sales tax portion of a bad debt account charged off by the lender as worthless on or after January 1, 2007. For additional information on how section 1132(e-1) applied before its repeal, see TSB-M-06(16)S, *Supplemental Summary of 2006 Legislation Affecting Sales and Use Taxes Which Takes Effect in 2007*.

If a recovery is made on a bad debt account that was the subject of a bad debt credit or refund under section 1132(e-1) prior to its repeal, the lender or the vendor who received the bad debt credit or refund with regard to that account must report the appropriate amount of sales tax on the amount collected on the first subsequent sales tax return filed by the lender or vendor who claimed the credit or refund.

As of July 1, 2010, bad debt credits and refunds are now governed by section 1132(e) of the Tax Law, and such claims must be made according to regulations section 534.7 governing those bad debt credits or refunds.

(Chapter 57, Tax Law section 1132(e-1))

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