

SENATE BILL 1426

By Dickerson

AN ACT to amend Tennessee Code Annotated, Section 67-6-507, relative to deductions from taxable sales.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-6-507(e)(3), is amended by deleting the language "The deduction provided for" and substituting instead the language "Except as otherwise provided in subsection (k), the deduction provided for".

SECTION 2. Tennessee Code Annotated, Section 67-6-507, is further amended by adding the following as a new subsection (k):

(k)

(1) In addition to any deduction or refund authorized by subsection (e), a dealer may claim a deduction or refund of the tax previously reported by the dealer on the unpaid balance due on a private label credit card account that is written off by a lender as bad debt, subject to the conditions of this subsection (k).

(2) The deduction or refund authorized by this subsection (k) applies to debts written off from a private label credit card account by a lender that:

(A) Owns the private label credit card account or has an interest in the private label credit card receivable that the lender purchased directly from a dealer who remitted the tax imposed under this chapter or from an affiliate of the dealer who remitted the tax imposed under this chapter, or purchased from a third party;

(B) Owns the private label credit card account or has an interest in the private label credit card receivable that the lender originated pursuant to a contractual agreement between the lender and the dealer who remitted the tax imposed under this chapter or who's affiliate remitted the tax imposed under this chapter; or

(C) Is affiliated, in the manner described in 26 U.S.C. § 1504, regardless of whether the different entities are corporations, with a person that satisfies the requirements of subdivision (k)(2)(A) or subdivision (k)(2)(B), or with an assignee or other transferee of a person that satisfies the requirements of subdivision (k)(2)(A) or subdivision (k)(2)(B).

(3) The deduction or refund authorized by this subsection (k) applies to credit sale transaction amounts outstanding in a private label credit card account arising out of sales made by the dealer associated with the private label credit card, or an affiliate of the dealer associated with the private label credit card. No deduction or refund is permitted with respect to sales by any person other than the dealer associated with the private label credit card or affiliates of the dealer associated with the private label credit card.

(4) A deduction or refund authorized by this subsection (k) shall be claimed in the manner provided in subsection (e), and shall be deducted from the return for the period during which the bad debt is written off as uncollectible in the lender's books.

(5) As used in this subsection (k), "private label credit card" means a charge or credit card or account that carries, refers to, or is branded with the name or logo of a dealer and can be used for purchases from the dealer whose name or logo appears on the card or account, or for purchases from any of the dealer's affiliates or franchisees.

SECTION 3. This act shall take effect July 1, 2017, the public welfare requiring it, and shall apply to all debts written off on or after July 1, 2017, regardless of the date on which the credit sale transaction generating the debt occurred.