



# This Week in State Tax (TWIST)

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## Ohio: Pending Legislation Would Expand Sales Tax Bad Debt Deduction

The Ohio Legislature recently passed [House Bill 223](#). If enacted, this bill would allow vendors to deduct bad debts written off as uncollectible by certain third-party lenders. Under existing law, only vendors or certified service providers that generated a bad debt and charged that debt off as uncollectible may claim the bad debt deduction. As amended, a vendor would be allowed to deduct bad debt held by a third party through a "private label credit account" that was associated with a sale that the vendor reported on a previous return. A private label credit account would be defined as an account with a lender (typically a bank) that "carries, refers to, or is branded with" the name of the vendor and which is used to finance sales on credit by the vendor's customers. Unlike situations in which the vendor held the debt directly, the vendor would not be permitted obtain a refund from the deduction of third-party debt, but unused third-party bad debt could be carried forward indefinitely and used to offset future taxable receipts. A vendor taking a deduction under this section would be required to maintain books and records verifying the transaction. This bill has been passed by both houses of the Ohio State Legislature and is currently awaiting Governor DeWine's signature. Please contact [Greg Ruud](#) or [Dave Perry](#) with questions on enrolled House Bill 223.



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