

<b>B L O C K  1</b>	Attached
	_____, _____ Tax Return

# SCHEDULE B

ATTACH TO COMBINED EXCISE TAX RETURN

<b>B L O C K  2</b>	NAME _____ REG. NO. _____
	FIRM NAME _____
	STREET ADDRESS _____
	CITY, STATE, ZIP _____

## CREDIT FOR SALES TAXES PAID ON BAD DEBTS

### INSTRUCTIONS

#### 1. When to File Schedule B

Complete Schedule B only if the sales tax rate at the time of sale is different from the current rate. When the rates are the same, take a bad debt deduction on the retailing B&O and retail sales tax lines.

#### 2. Bad Debts

- a) Bad debt credits occur when income reported by a taxpayer is not received. Taxpayers may claim a credit for the tax reporting period on which the debt is written off as uncollectable. A bad debt tax credit is allowed only for retail sales tax which has been remitted to the department but has become uncollectible and written off for IRS purposes.
- b) Credits, refunds, and deductions for bad debts are based on federal standards for worthlessness under section 166 of the Internal Revenue Code. If a federal income tax return is not required to be filed, the taxpayer is eligible for a bad debt credit, refund, or deduction on the Washington tax return if the taxpayer would be eligible for the federal bad debt deduction.
- c) If a debt has been partially paid, a credit is allowed for only the uncollected portion of the debt.
- d) Reserve Method – Businesses using the Reserve Method for bad debts may take a credit for bad debts when:
  - The reserve method of reporting bad debts is allowed for Federal Tax purposes by the Internal Revenue Service; or
  - When permission is granted by the Department of Revenue.
- e) No credit may be claimed for bad debts written off more than four years prior to the current year.

#### 3. To Complete This Form

- a) *Block 1:* Enter the reporting period from page one of the tax return you are about to file.
- b) *Block 2:* Enter the name and address of the business. **Important: include your Tax Registration Number.**
- c) Sales transactions should be grouped by date of sale and then sorted by location code (see the location code list online at dor.wa.gov. Enter "location codes" into the search box of the main menu.).
- d) *Column 1:* Enter the sale month and year as numbers (e.g. November 2009 = 11/09).
- e) *Column 2:* Enter the location code of the sale. If sales were made during this month in multiple locations, use a different line for each location code.
- f) *Column 3:* Enter the taxable value of sales claimed as bad debts for each location code.
- g) *Column 6:* Enter the total amount of state and local sales taxes paid to the state [on the bad debts listed] for each location code.
- h) *Columns 4 & 5:* For each tax entry in column 6, break the tax amount into the state and local sales tax portions. Include any King County Food & Beverage and RTA, if applicable.
- i) If you need more space, use the back of this sheet. You may photocopy the form for more sheets. Write your Tax Registration Number on each page.
- j) Total all column 6 entries. Enter this amount in the "Total" block on this form and on the "BAD DEBT TAX CREDIT" line on the Combined Excise Tax Return.
- k) Attach Schedule B behind the Combined Excise Tax Return.

Column 1 Date Of Sale (MM/YY)	Column 2 4 Digit Location Code	Column 3 Value of Sale Written Off

Column 4 State Sales Tax Claimed	Column 5 Local Sales Tax Claimed	Column 6 Total State And Local Taxes Claimed	For Department Use Only	For Department Use Only
<b>SUB-TOTAL</b>				

Signature \_\_\_\_\_

Phone \_\_\_\_\_

**COMBINED TOTAL [801]**  
**All sales taxes claimed:**

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Post to BAD DEBT CREDIT line on Combined Excise Tax Return.

