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## Tax Compliance Guide

### Bad Debts Topic 333

(10/2006)

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The *Westminster Municipal Code* provides that any tax added to the price by a licensed retailer constitutes a debt from the purchaser to the retailer until paid and shall be recoverable at law in the same manner as other debts. Taxable sales by the retailer who collected, remitted, financed and held the debt on their books, provided those transactions were included in gross sales on the current or on a prior return and to the extent that the statute of limitations has not expired, that are found to be worthless and are actually and properly charged off as bad debts for federal income tax purposes may be deducted from gross sales. Any amount so deducted and subsequently collected by the taxpayer shall be subject to the tax.

In establishing worthlessness, the retailer has the burden of providing adequate evidence that the usual remedies available in collecting the debt have been exhausted. Collection attempts, such as phone calls, correspondence, and pursuit via litigation, must be adequately documented in addition to documentation supporting that the sale was included on a current or previous return, and that the debt has been charged off for Federal income tax purposes.

If the debt is subsequently collected, the purchase price and related tax must be reported on the next periodic City sales/use tax return (line 2).

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### Related Topics

Credit, Installment, and Secured Sales

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### Citations

*Westminster Municipal Code*  
§ 4-1-3. Deductions & Credits

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT WESTMINSTER TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE WESTMINSTER MUNICIPAL CODE AND APPLICABLE RULES AND

REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.

### Contact Us

For additional assistance, please contact us:

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Sales Tax Division  
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**Phone:** (303) 658-2065

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Administrative offices are open Monday through Thursday from 7:00a.m. to 6:00p.m. (closed Friday).

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From the Business menu, choose Westminster Taxes