WEST VIRGINIA CODE: §11-15B-27

§11-15B-27. Uniform rules for recovery of bad debt.

(a) General. -- A deduction from taxable sales is allowed for bad debts. Any deduction taken that is attributed to bad debts may not include interest or any amount upon which the sales or use tax imposed by this state was not previously paid.

(b) "Bad debt" defined. -- The term "bad debt" has the same meaning as when used in the federal definition of "bad debt" in 26 U.S.C. §166 as the basis for calculating bad debt recovery. However, the amount calculated pursuant to 26 U.S.C. §166 is adjusted to exclude:

(1) Financing charges or interest;

(2) Sales or use taxes charged on the purchase price;

(3) Uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid;

(4) Expenses incurred in attempting to collect any debt; or

(5) Repossessed property.

(c) When deduction may be taken. -- Bad debts may be deducted on the return for the period during which the bad debt is written off as uncollectible in the claimant's books and records and is eligible to be deducted for federal income tax purposes. For purposes of this section, a claimant who is not required to file federal income tax returns may deduct a bad debt on a return filed for the period in which the bad debt is written off as uncollectible in the claimant's books and records and would be eligible for a bad debt deduction for federal income tax purposes if the claimant was required to file a federal income tax return.

(d) Subsequent recovery. -- If a deduction is taken for a bad debt and the debt is subsequently collected, in whole or in part, the tax on the amount collected shall be paid and reported on the return filed for the period in which the collection is made.

(e) When bad debt deduction exceeds taxable sales. -- When the amount of bad debt exceeds the amount of taxable sales for the period during which the bad debt is written off, a refund claim may be filed within the period specified in section fourteen, article ten of this chapter, for filing a claim for refund of sales or use tax, except that the statute of limitations shall be measured from the due date of the return on which the bad debt could first be claimed.

(f) When certified service provider is used. -- Where filing responsibilities of the seller have been assumed by a certified service provider, the certified service provider may claim, on behalf of the seller, any bad debt allowance provided by this section. The certified service provider shall credit or refund to the seller the full amount of any bad debt allowance or

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refund received under this section.

(g) Reporting of payment received on previously claimed bad debt. -- For the purposes of reporting a payment received on a previously claimed bad debt, any payments made on a debt or account are applied first proportionally to the taxable price of the property or service and the sales tax thereon, and secondly to interest, service charges, and any other charges.

(h) Allocation. -- In situations where the books and records of the party claiming the bad debt allowance support an allocation of the bad debts among two or more states that are members of the Streamlined Sales and Use Tax Agreement, the allocation is permitted.

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