

## Sales/Use/Indirect:

### Illinois Appellate Court Permits Bad Debt Claims for Cash Basis Taxpayer Making Installment Sales

*Case No. 1-20-0236*, Ill. App. Ct. (11/8/21). In a matter of first impression, an Illinois Appellate Court (Court) reversed the Illinois Independent Tax Tribunal to hold for a cash basis retailer selling vehicles through installment contracts, concluding that it was entitled to requested sales tax refunds under Illinois Retailers' Occupation Tax Act (ROTA) for sales tax paid under the ROTA on vehicles sold through installment contracts that ended in the buyers' default. In doing so, the Court explained that denying the taxpayer a refund under these circumstances "would be to allow the State double recovery, which is both unreasonable and contrary to the express intent of the legislature..." Moreover, the Court reasoned that an accrual basis retailer selling and then repossessing the exact same car would be entitled to a ROTA refund, despite there being no difference in the taxes the retailer originally remitted to Illinois – thus, a state regulation that would preclude cash basis taxpayers from obtaining such refunds "is neither a reasonable nor a persuasive interpretation of" the applicable ROTA provisions. Please contact us with any questions.

**URL:** [https://ilcourtsaudio.blob.core.windows.net/antilles-resources/resources/43e118d6-44b4-486b-8864-a4717dba2b89/Kishwaukee%20Auto%20Corral,%20Inc.%20v.%20Illinois%20Department%20of%20Revenue,%202021%20IL%20App%20\(1st\)%2000236.pdf](https://ilcourtsaudio.blob.core.windows.net/antilles-resources/resources/43e118d6-44b4-486b-8864-a4717dba2b89/Kishwaukee%20Auto%20Corral,%20Inc.%20v.%20Illinois%20Department%20of%20Revenue,%202021%20IL%20App%20(1st)%2000236.pdf)

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