

## Sales/Use/Indirect:

### Colorado Appellate Court Denies Bad Debt Deductions on Sales Made via Private Label Credit Cards

*Case No. 20CA0818, Colo. Ct. App. (2/10/22).* In a case involving a third-party lender that issued private-label store brand credit cards for customers of various retailers to finance the customers' underlying retail purchases, the Colorado Court of Appeals (Court) affirmed the denial of sales tax "bad debt" deductions claimed by the lender on uncollectable debts, concluding that because the finance company and the retailers are separate and distinct entities and do not act "as a unit" for any purpose other than issuing the private label credit cards, the two entities do not constitute a single "person" and thus the lender is *not* a "taxpayer" entitled to such relief under Colorado sales and use tax law. Specifically, the Court held that because the finance company is not a "person" for purposes of Colo. Rev. Stat. section 39-26-102(6.3), it is not a "taxpayer" under Colo. Rev. Stat. section 39-26-102(17). Therefore, because it is not a "taxpayer," the Court agreed that it is *not* eligible for a credit (or a refund) under Colo. Rev. Stat. section 39-26-102(5). Please contact us with any questions.

**URL:** [https://www.courts.state.co.us/Courts/Court\\_of\\_Appeals/Opinion/2022/20CA0818-PD.pdf](https://www.courts.state.co.us/Courts/Court_of_Appeals/Opinion/2022/20CA0818-PD.pdf)

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