

## Sales/Use/Indirect:

### Ohio: New Law Permits Bad Debt Deductions for Certain Private Label Credit Card Transactions

*H.B. 223*, signed by gov. 12/22/22. New law expands Ohio's current sales tax "bad debt" deduction by allowing vendors to deduct bad debts on certain third-party accounts affiliated with the vendor even though the debt is charged off on the books of the third-party and not the vendor – specifically by allowing vendors to take a deduction for bad debts on "private label credit accounts" used to make purchases from the vendor or the vendor's affiliates, even though the debt is charged off as uncollectible on the books of the owner of the credit account (*i.e.*, the "lender") and not on the vendor's books. Under the new law, a "private label credit account" means a credit account that carries, refers to, or is branded with the name of a vendor and for which the lender, when establishing the consumer's credit limit, complied with all applicable Ohio and federal laws that are intended to protect consumers. For a vendor to qualify for this expanded deduction, the private label credit account debt must be deductible by the lender for federal income tax purposes, and the lender must charge off the debt as uncollectible on or after July 1, 2023. Please contact us with any questions.

**URL:** <https://www.legislature.ohio.gov/legislation/legislation-status?id=GA134-HB-223>

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