

Sales/Use/Indirect:

Washington: Retailer Can't Claim "Bad Debt" Refunds on Defaulted Private Label Credit Card Payments

Case No. 13-107-2, Wash. Bd. of Tax App. (11/28/22). The Washington Board of Tax Appeals (Board) held that a retailer that contracted with a bank financial company to provide a private label credit card (PLCC) program for its customers did *not* qualify for Washington's "bad debt" sales tax refunds on underlying defaulted credit card payments because the facts failed to show the retailer was a guarantor of the uncollectable debts. Distinguishing the case from a 2020 Washington Supreme Court holding where a similarly situated retailer that contracted with a bank financial company to provide a PLCC program for its customers qualified for Washington's "bad debt" refund [see *Case No. 96383-5*, Wash. (1/16/20) for more details on this 2020 case], the Board explained that unlike the 2020 case, the taxpayer here was *not* a guarantor of the accounts at issue. In this case, nothing in the underlying agreement designates the retailer as a guarantor of the accounts to the bank or provides that the retailer has any obligation to pay the bank any amounts for uncollectable accounts. The Board also reasoned that the deduction of uncollectible amounts in the calculation of payment for the retailer's servicing of the accounts does *not* make the retailer a "guarantor" of the uncollectable accounts. Please contact us with any questions.

URL: <https://apps.bta.wa.gov/Decision%20PDF/Formal%20Dockets/13-107.pdf>

URL: <https://www.courts.wa.gov/opinions/pdf/963835.pdf>

— Robert Wood (Seattle)
Senior Manager
Deloitte Tax LLP
robwood@deloitte.com

Myles Brenner (Seattle)
Senior Manager
Deloitte Tax LLP
mybrenner@deloitte.com

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