

**As Reported by the House Ways and Means Committee**

**134th General Assembly**

**Regular Session**

**2021-2022**

**Sub. H. B. No. 513**

**Representatives Cross, Roemer**

**Cosponsors: Representatives Seitz, Riedel, Schmidt, Lipps, Stoltzfus, Fraizer,  
Loychik**

---

**A BILL**

To amend section 5743.53 and to enact section 1  
5743.06 of the Revised Code regarding the 2  
deduction and recovery of bad debts for 3  
cigarette and tobacco and vapor products taxes. 4

**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That section 5743.53 be amended and section 5  
5743.06 of the Revised Code be enacted to read as follows: 6

**Sec. 5743.06.** (A) As used in this section, "bad debt" 7  
means any debt that arises from the sale by a wholesale dealer 8  
of cigarettes properly stamped under section 5743.03, 5743.031, 9  
or 5743.04 of the Revised Code, that has become worthless or 10  
uncollectible, that has been uncollected for at least six 11  
months, and that may be claimed as a deduction pursuant to the 12  
"Internal Revenue Code of 1954," 26 U.S.C. 166, and regulations 13  
adopted pursuant thereto, or that could be claimed as such a 14  
deduction if the wholesale dealer kept accounts on an accrual 15  
basis. "Bad debt" does not include any interest or financing 16  
charges on the debt, expenses incurred in attempting to collect 17  
the debt or for any portion of the debt recovered, any accounts 18

receivable that have been sold or assigned to a third party, or 19  
repossessed property. 20

(B) A wholesale dealer may apply to the tax commissioner 21  
for a refund of the value of cigarette tax stamps, less any 22  
discounts provided under section 5743.05 of the Revised Code, 23  
that are part of bad debt of the dealer. The commissioner shall 24  
not refund any amount for bad debt under this section unless the 25  
dealer has charged off the bad debt on its books as 26  
uncollectible. If a purchaser or other person pays all or part 27  
of a bad debt with respect to which a wholesale dealer received 28  
a refund under this section, the dealer is liable for the 29  
prorated amount of taxes refunded in connection with that 30  
portion of the debt for which such payment was received and 31  
shall remit such taxes to the commissioner in the manner the 32  
commissioner prescribes. Any request for refund under this 33  
section shall be supported by such evidence the commissioner 34  
requires, including, but not limited to, all of the following: 35

(1) A copy of the original invoice; 36

(2) Evidence that the cigarettes described in the invoice 37  
were delivered to the person that ordered them; 38

(3) Evidence that the person who ordered and received such 39  
cigarettes did not pay the wholesale dealer for the cigarettes 40  
and that the dealer used reasonable collection practices in 41  
attempting to collect the debt. 42

(C) A request for refund under this section shall be filed 43  
within three years after the date the bad debt became 44  
uncollectible. For each request, the commissioner shall 45  
determine the amount of refund to which the applicant is 46  
entitled. If the amount is not less than that claimed, the 47

commissioner shall certify the amount to the director of budget 48  
and management and treasurer of state for payment from the tax 49  
refund fund created by section 5703.052 of the Revised Code. If 50  
the amount is less than that claimed, the commissioner shall 51  
proceed in accordance with section 5703.70 of the Revised Code. 52

(D) The commissioner may adopt any rules necessary to 53  
administer this section. 54

(E) No person other than the wholesaler that purchased the 55  
tax stamps and generated the bad debt may claim the refund 56  
authorized under this section. 57

**Sec. 5743.53.** (A) The treasurer of state shall refund to a 58  
taxpayer any of the following: 59

(1) Any tobacco products or vapor products tax paid 60  
erroneously; 61

(2) Any tobacco products or vapor products tax paid on an 62  
illegal or erroneous assessment; 63

(3) Any tax paid on tobacco products or vapor products 64  
that have been sold or shipped to retail dealers, wholesale 65  
dealers, or vapor distributors outside this state, returned to 66  
the manufacturer, or destroyed by the taxpayer with the prior 67  
approval of the tax commissioner; 68

(4) In accordance with division (E) of this section, any 69  
tax paid by a distributor or vapor distributor on tobacco or 70  
vapor products, less any discounts provided under section 71  
5743.52 of the Revised Code, that are part of bad debt of the 72  
distributor or vapor distributor. 73

Any application for refund shall be filed with the 74  
commissioner on a form prescribed by the commissioner for that 75

purpose. The commissioner may not pay any refund on an 76  
application for refund filed with the commissioner more than 77  
three years from the date of payment of the tax. 78

(B) On the filing of the application for refund, the 79  
commissioner shall determine the amount of the refund to which 80  
the applicant is entitled. If the amount is not less than that 81  
claimed, the commissioner shall certify the amount to the 82  
director of budget and management and to the treasurer of state 83  
for payment from the tax refund fund created by section 5703.052 84  
of the Revised Code. If the amount is less than that claimed, 85  
the commissioner shall proceed in accordance with section 86  
5703.70 of the Revised Code. 87

If a refund is granted for payment of an illegal or 88  
erroneous assessment issued by the department of taxation, the 89  
refund shall include interest on the amount of the refund from 90  
the date of the overpayment. The interest shall be computed at 91  
the rate per annum in the manner prescribed by section 5703.47 92  
of the Revised Code. 93

(C) If any person entitled to a refund of tax under this 94  
section or section 5703.70 of the Revised Code is indebted to 95  
the state for any tax administered by the tax commissioner, or 96  
any charge, penalties, or interest arising from such tax, the 97  
amount allowable on the application for refund first shall be 98  
applied in satisfaction of the debt. 99

(D) In lieu of granting a refund payable under division 100  
(A) (3) of this section, the tax commissioner may allow a 101  
taxpayer to claim a credit of the amount of refundable tax on 102  
the return for the period during which the tax became 103  
refundable. The commissioner may require taxpayers to submit any 104  
information necessary to support a claim for a credit under this 105

section, and the commissioner shall allow no credit if that 106  
information is not provided. 107

(E) (1) As used in this section, "bad debt" means any debt 108  
that arises from the sale by a distributor or vapor distributor 109  
of tobacco or vapor products for which the distributor or vapor 110  
distributor remitted the tax due under section 5743.51 of the 111  
Revised Code, that has become worthless or uncollectible, that 112  
has been uncollected for at least six months, and that may be 113  
claimed as a deduction pursuant to the "Internal Revenue Code of 114  
1954," 26 U.S.C. 166, and regulations adopted pursuant thereto, 115  
or that could be claimed as such a deduction if the distributor 116  
or vapor distributor kept account on an accrual basis. "Bad 117  
debt" does not include any interest or financing charges on the 118  
debt, expenses incurred in attempting to collect the debt or for 119  
any portion of the debt recovered, any accounts receivable that 120  
have been sold or assigned to a third party, or repossessed 121  
property. 122

(2) The commissioner shall not refund any amount for bad 123  
debt under division (A) (4) of this section unless the 124  
distributor or vapor distributor has charged off the bad debt on 125  
its books as uncollectible. If a purchaser or other person pays 126  
all or part of a bad debt with respect to which a distributor or 127  
vapor distributor received a refund under this section, the 128  
distributor or vapor distributor is liable for the prorated 129  
amount of taxes refunded in connection with that portion of the 130  
debt for which such payment was received and shall remit such 131  
taxes to the commissioner in the manner the commissioner 132  
prescribes. Any request for refund under division (A) (4) of this 133  
section shall be supported by such evidence the commissioner 134  
requires, including, but not limited to, all of the following: 135

<u>(a) A copy of the original invoice;</u>	136
<u>(b) Evidence that the tobacco or vapor products described</u>	137
<u>in the invoice were delivered to the person that ordered them;</u>	138
<u>(c) Evidence that the person who ordered and received such</u>	139
<u>tobacco or vapor products did not pay the distributor or vapor</u>	140
<u>distributor for the tobacco or vapor products and that the</u>	141
<u>distributor or vapor distributor used reasonable collection</u>	142
<u>practices in attempting to collect the debt;</u>	143
<u>(d) Evidence of the wholesale price or vapor volume, as</u>	144
<u>applicable to the product, at the time the product was subjected</u>	145
<u>to the tax imposed under section 5743.51 of the Revised Code.</u>	146
<u>(3) No person other than the distributor or vapor</u>	147
<u>distributor that paid the tax imposed under section 5743.51 of</u>	148
<u>the Revised Code to the state and generated the bad debt may</u>	149
<u>claim the bad debt refund authorized under division (E) of this</u>	150
<u>section.</u>	151
<u>(F) The commissioner may adopt any rules necessary to</u>	152
<u>administer this section.</u>	153
<b>Section 2.</b> That existing section 5743.53 of the Revised	154
Code is hereby repealed.	155
<b>Section 3.</b> The amendments by this act to sections 5743.06	156
and 5743.53 of the Revised Code apply to bad debts charged off	157
as uncollectible on the books and records of a wholesale dealer,	158
distributor, or vapor distributor on or after January 1, 2023.	159