

# FYI – For Your Information

## Bad Debt Refund for Cigarette and Tobacco Wholesalers and Distributors

### GENERAL INFORMATION

Cigarette and tobacco wholesalers and distributors may claim a refund for bad debts arising from uncollectible accounts. [ §§39-28-104(4) and 39-28.5-107 2(a) C.R.S. ] “Bad debt” is defined as the taxes attributable to any portion of a debt that is related to a sale of cigarettes or tobacco products subject to excise tax, that is not otherwise deductible or excludable, and that has become uncollectible after the tax has been paid. The refund will not be granted unless the bad debt has been charged off as uncollectible on the books of the wholesaler or distributor.

### Application for Refund:

The cigarette or tobacco products distributor or wholesaler may file a “Claim for Refund” (DR 0137) with the Department of Revenue for a refund of the cigarette or tobacco products taxes paid.

Refund claims for taxes paid prior to August 4, 2004 may not be considered for bad debts.

Supporting documentation must be submitted with the claim and shall include but is not limited to:

- A copy of the original invoice issued by the wholesaler.
- Evidence that the cigarettes or tobacco products described in the invoice were delivered to the person who ordered them.
- Evidence that the wholesaler or distributor did not receive payment from the person who ordered and received the cigarettes or tobacco products.

- Evidence that the wholesaler used reasonable collection practices in attempting to collect the debt.
- Documentation that the loss from the bad debt is eligible to be claimed as a deduction pursuant to section 166 of the federal “Internal Revenue Code of 1986” as amended.

The refund claim for bad debt shall be limited to the tax paid and shall not include interest on the wholesale price of cigarettes or tobacco products, uncollectible amounts on property that remain in the possession of the wholesaler until the full purchase price is paid, expenses incurred in attempting to collect any account receivable or any portion of the debt recovered or an accounts receivable that has been sold to a third party for collection, or repossessed property.

### Subsequent Refund Liability:

If after receiving the refund, the wholesaler or distributor receives a payment for the bad debt, the wholesaler or distributor shall be liable to the department for the amount received and shall remit this amount in the next payment to the department.

### Recordkeeping Requirements

Colorado law requires that wholesalers and distributors keep true and complete records of their distributor activities for at least three years after filing returns.



Colorado Department  
of Revenue  
Taxpayer Service Division  
1375 Sherman St.  
Denver, Colorado 80261

Forms and other services:  
(303)238-FAST (3278)  
Assistance:  
(303)238-SERV (7378)

[www.taxcolorado.com](http://www.taxcolorado.com)

***FURTHER INFORMATION***

For further information on cigarette and tobacco products taxes, see the following FYIs available on the Web at *www.taxcolorado.com*

- FYI Excise 16 Cigarette Distributors – General Information
- FYI Excise 17 Tobacco Products Distributors – General Information

FYIs and commonly used forms are available on the Web at *www.taxcolorado.com*

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.