

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

**135th General Assembly**

**Regular Session**

**2023-2024**

**H. B. No. 66**

**Representatives Hall, Stoltzfus**

**Cosponsors: Representatives Cross, Dean, Miller, K., Hillyer, Schmidt, Lipps, Johnson, Ferguson, Young, T., Seitz, Dell'Aquila, Roemer, Barhorst, Brennan, Brent, Carruthers, Click, Creech, Dobos, Gross, Jones, Kick, Miller, J., Oelslager, Patton, Rogers, Troy, White, Williams**

**Senator Schaffer**



**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. Notwithstanding any provision of 54  
section 121.95 of the Revised Code to the contrary, a regulatory 55  
restriction contained in a rule adopted under this section is 56  
not subject to sections 121.95 to 121.953 of the Revised Code. 57

(E) No person other than the wholesaler that purchased the 58  
tax stamps and generated the bad debt may claim the refund 59  
authorized under this section. 60

**Sec. 5743.53.** (A) The treasurer of state shall refund to a 61  
taxpayer any of the following: 62

(1) Amounts imposed under this chapter that were paid 63  
illegally or erroneously or paid on an illegal or erroneous 64  
assessment; 65

(2) Any tax paid on tobacco products or vapor products 66  
that have been sold or shipped to retail dealers, wholesale 67  
dealers, or vapor distributors outside this state, returned to 68  
the manufacturer, or destroyed by the taxpayer with the prior 69  
approval of the tax commissioner; 70

(3) In accordance with division (E) of this section, any 71  
tax paid by a distributor or vapor distributor on tobacco or 72  
vapor products, less any discounts provided under section 73

5743.52 of the Revised Code, that are part of bad debt of the 74  
distributor or vapor distributor. 75

Any application for refund shall be filed with the 76  
commissioner on a form prescribed by the commissioner for that 77  
purpose. The commissioner may not pay any refund on an 78  
application for refund filed with the commissioner more than 79  
three years from the date of the payment. 80

(B) On the filing of the application for refund, the 81  
commissioner shall determine the amount of the refund to which 82  
the applicant is entitled. If the amount is not less than that 83  
claimed, the commissioner shall certify the amount to the 84  
director of budget and management and to the treasurer of state 85  
for payment from the tax refund fund created by section 5703.052 86  
of the Revised Code. If the amount is less than that claimed, 87  
the commissioner shall proceed in accordance with section 88  
5703.70 of the Revised Code. 89

If a refund is granted for payment of an illegal or 90  
erroneous assessment issued by the department of taxation, the 91  
refund shall include interest on the amount of the refund from 92  
the date of the overpayment. The interest shall be computed at 93  
the rate per annum in the manner prescribed by section 5703.47 94  
of the Revised Code. 95

(C) If any person entitled to a refund under this section 96  
or section 5703.70 of the Revised Code is indebted to the state 97  
for any tax administered by the tax commissioner, or any charge, 98  
penalties, or interest arising from such tax, the amount 99  
allowable on the application for refund first shall be applied 100  
in satisfaction of the debt. 101

(D) In lieu of granting a refund payable under division 102

(A) (2) of this section, the tax commissioner may allow a 103  
taxpayer to claim a credit of the amount of refundable tax on 104  
the return for the period during which the tax became 105  
refundable. The commissioner may require taxpayers to submit any 106  
information necessary to support a claim for a credit under this 107  
section, and the commissioner shall allow no credit if that 108  
information is not provided. 109

(E) (1) As used in this section, "bad debt" means any debt 110  
that arises from the sale by a distributor or vapor distributor 111  
of tobacco or vapor products for which the distributor or vapor 112  
distributor remitted the tax due under section 5743.51 of the 113  
Revised Code, that has become worthless or uncollectible, that 114  
has been uncollected for at least six months, and that may be 115  
claimed as a deduction pursuant to the "Internal Revenue Code of 116  
1954," 26 U.S.C. 166, and regulations adopted pursuant thereto, 117  
or that could be claimed as such a deduction if the distributor 118  
or vapor distributor kept account on an accrual basis. "Bad 119  
debt" does not include any interest or financing charges on the 120  
debt, expenses incurred in attempting to collect the debt or for 121  
any portion of the debt recovered, any accounts receivable that 122  
have been sold or assigned to a third party, or repossessed 123  
property. 124

(2) The commissioner shall not refund any amount for bad 125  
debt under division (A) (3) of this section unless the 126  
distributor or vapor distributor has charged off the bad debt on 127  
its books as uncollectible. If a purchaser or other person pays 128  
all or part of a bad debt with respect to which a distributor or 129  
vapor distributor received a refund under this section, the 130  
distributor or vapor distributor is liable for the prorated 131  
amount of taxes refunded in connection with that portion of the 132  
debt for which such payment was received and shall remit such 133

taxes to the commissioner in the manner the commissioner 134  
prescribes. Any request for refund under division (A) (3) of this 135  
section shall be supported by such evidence the commissioner 136  
requires, including, but not limited to, all of the following: 137

(a) A copy of the original invoice; 138

(b) Evidence that the tobacco or vapor products described 139  
in the invoice were delivered to the person that ordered them; 140

(c) Evidence that the person who ordered and received such 141  
tobacco or vapor products did not pay the distributor or vapor 142  
distributor for the tobacco or vapor products and that the 143  
distributor or vapor distributor used reasonable collection 144  
practices in attempting to collect the debt; 145

(d) Evidence of the wholesale price or vapor volume, as 146  
applicable to the product, at the time the product was subjected 147  
to the tax imposed under section 5743.51 of the Revised Code. 148

(3) No person other than the distributor or vapor 149  
distributor that paid the tax imposed under section 5743.51 of 150  
the Revised Code to the state and generated the bad debt may 151  
claim the bad debt refund authorized under division (E) of this 152  
section. 153

(F) The commissioner may adopt any rules necessary to 154  
administer this section. Notwithstanding any provision of 155  
section 121.95 of the Revised Code to the contrary, a regulatory 156  
restriction contained in a rule adopted under division (E) of 157  
this section is not subject to sections 121.95 to 121.953 of the 158  
Revised Code. 159

**Section 2.** That existing section 5743.53 of the Revised 160  
Code is hereby repealed. 161

<b>Section 3.</b> The amendments by this act to sections 5743.06	162
and 5743.53 of the Revised Code apply to bad debts charged off	163
as uncollectible on the books and records of a wholesale dealer,	164
distributor, or vapor distributor on or after January 1, 2024.	165