



Massachusetts Department of Revenue
Form ST-BDR
Claim for Bad Debt Reimbursement

Legal name of taxpayer		Account ID number
Mailing address		
City/Town	State	Zip
Fiscal year-end date of previous year's federal return (mm/dd/yyyy)	Due date of federal return (including valid extensions) (mm/dd/yyyy)	
How often do you file sales tax return (select one)? <input type="radio"/> Annually <input type="radio"/> Quarterly <input type="radio"/> Monthly	Last year audited by IRS (yyyy)	

Applicant information

Fill in if the applicant is a registered vendor in Massachusetts. If not a registered vendor in Massachusetts, the applicant cannot file a bad debt reimbursement claim

Fill in if the applicant made the retail sales for which tax was collected and remitted. If sales tax was not collected and remitted on retail sales, the applicant cannot file a bad debt reimbursement claim for such sales.

Fill in if the applicant extended credit to the retail customer at the time of sale. If the retail customer did not receive extended credit, the applicant cannot file a bad debt reimbursement claim for such sales.

Fill in if the applicant claimed the amount shown in line 5 as a bad debt expense deduction on its federal tax return. If the amount shown in line 5 was not claimed as a bad debt expense deduction on its federal tax return and the applicant is on the accrual method of accounting, the applicant is not entitled to a bad debt reimbursement for such amounts. (If the applicant is on the cash method of accounting, see instructions)

Fill in if the applicant assigned, sold, or transferred the debt in question to any other entity. If the applicant assigned, sold, or transferred the debt in question to any other entity, the applicant cannot file a bad debt reimbursement claim, nor may the assignee, purchaser, transferee or factor of any such accounts.

Computation

1 Gross sales (including non-Massachusetts sales) for previous fiscal year	1	<input style="width:90%;" type="text"/>
2 Total gross Massachusetts sales for previous fiscal year	2	<input style="width:90%;" type="text"/>
3 Total taxable Massachusetts sales for previous fiscal year	3	<input style="width:90%;" type="text"/>
4 Total tax remitted for previous fiscal year	4	<input style="width:90%;" type="text"/>
5 Bad debt expense per U.S. tax return (actual or pro forma; please attach) for previous fiscal year	5	<input style="width:90%;" type="text"/>
6 Amount of taxable sales determined to be worthless for previous fiscal year. (Attach explanation for each worthless sale; see instructions.)		
Tangible personal property <input style="width:150px;" type="text"/> + Services <input style="width:150px;" type="text"/> =	6	<input style="width:150px;" type="text"/>
7 Reimbursement for bad debts at the 6.25% rate. Multiply line 6 by .0625.	7	<input style="width:150px;" type="text"/>

Declaration

Under penalties of perjury, I declare that the taxpayer named above was the vendor in the sales that have become bad debts and is not an assignee or factor of that vendor. I have examined this claim, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. (Attach Form M-2848, Power of Attorney, if representing taxpayer.)

Signature	Title	Date
<hr/>		
Type or print name of signee	Phone number	

Fill in if you wish to have a hearing in the event that this claim is denied in full or in part.

Form ST-BDR Instructions

General Information

Under Massachusetts General Laws (MGL), ch 64H, § 33 and MGL ch 64I, § 34, Massachusetts vendors who have remitted sales or use tax to the Department of Revenue (DOR) on accounts which are later determined to be worthless may file a claim for reimbursement with DOR. This claim for reimbursement is effective for sales determined to be worthless in the previous fiscal year, regardless of when the actual sale occurred. **Bad debt reimbursements are issued without interest. Reimbursements may not be claimed on any other DOR return.** To claim reimbursement for sales and use tax determined to be worthless in the previous fiscal year you must mail your Form ST-BDR on or before the due date (including any extensions) of your current year's federal income tax return. If you discover an error in your claim after filing, you may file an amended claim on or before the due date (including extensions) of your federal income tax return, by clearly writing "**amended**" at the top of the claim form.

Vendors must include in gross receipts for their sales and use tax returns all sales for the period in which the sales occur, regardless of whether payment has been received. Vendors are **not** allowed to subtract bad debts from gross receipts. Reimbursements for bad debts can only be made on an annual basis with Form ST-BDR.

Any vendor who recovers, in whole or in part, a bad debt for which a reimbursement has been received must include the recovered amount in the gross receipts amount on the sales tax return covering the period in which the recovery occurs. For example, you are a quarterly sales tax filer who receives reimbursement for a 2015 bad debt of \$500. During the third quarter of 2017 you recover \$300 of the bad debt. You must include the \$300 recovery amount in your gross receipts on your third quarter return.

Taxpayers who change their fiscal year for federal tax purposes may include in their ST-BDR claim for the first fiscal year after the change any bad debts incurred after the last day of their prior fiscal year and before the first day of their new fiscal year, providing that these claims have not been included in any other ST-BDR. See Technical Information Release (TIR) 00-3, Claiming the Bad Debt Reimbursement.

To correct errors unrelated to bad debts do not file Form ST-BDR. You must file an online amended return at mass.gov/masstaxconnect. For further information regarding abatements or Form ST-BDR call the Contact Center at (617) 887-MDOR.

Line Instructions

Line 1. Enter your gross sales (including non-Massachusetts sales) for the previous fiscal year.

Line 2. Enter your total gross Massachusetts sales (taxable and non-taxable) for the previous fiscal year.

Line 3. Enter your total Massachusetts taxable sales for the previous fiscal year.

Line 4. Enter the total amount of sales tax remitted to DOR during the previous fiscal year.

Line 5. Enter bad debt expense as indicated on your U.S. tax return (actual or pro forma) for the previous fiscal year. (Applicants on the cash method of accounting see below).

Line 6. Enter the amount of taxable sales upon which a 6.25% sales tax has been remitted determined to be worthless during the previous fiscal year, regardless of when the actual sale occurred. Enter separate amounts of sales of tangible personal property and sales of services.

Line 7. Multiply the total in line 6 by .0625 (6.25%). This is your reimbursement for bad debts.

Penalties. Applicants that made false statements on Form ST-BDR in order to receive a refund to which they are not entitled may be subject to the tax evasion penalties of MGL ch 62C, § 73, including a felony conviction, a fine of not more than \$100,000 or \$500,000 in the case of a corporation, or by imprisonment for not more than five years, or both, and may also be required to pay the costs of prosecution.

Substantiating documentation. Substantiating documentation must be included with every claim. You must attach an explanation for each worthless sale showing the date the sale occurred, the amount of the sale, the buyer's name and address, the buyer's federal identification number, if available, and all facts pertinent to your determining the account to be worthless. If the volume of your sales or your method of determining sales to be worthless does not allow you to comply with the preceding instructions, please refer to TIR 00-3, Claiming the Bad Debt Reimbursement, for specific instructions. A sale is determined to be worthless when it is actually written off as uncollectible for federal income tax purposes under IRC Section 166.

You must also include:

- If you are using the specific charge-off or aggregated proration method for claiming bad debts, a copy of the page from your U.S. tax form (Form 1065, 1120, 1120A, 1120S or Schedule C or F) showing the bad debt deduction for the previous fiscal year; or
- Copy and proof of accepted federal extension and copy of filed federal return for previous year.

Cash Method Taxpayer. A taxpayer that is on the cash method of accounting and that did not previously include proceeds from a taxable sale in its federal income may file a claim for reimbursement with DOR if the receivable from such sale becomes worthless. A debt becomes worthless when there is no longer any chance the amount owed will be paid. This may occur on the date the debt is due or prior to that date. To demonstrate worthlessness, such taxpayers must show that they have taken reasonable steps to collect the debt but were unable to do so. In addition to the substantiating documentation described above, a cash method taxpayer must provide a detailed explanation of how sales are determined to be worthless with its Form ST-BDR.

File Form ST-BDR online as an "Other Dispute" on MassTaxConnect and attach electronic versions of all supporting documents. You may also mail Form ST-BDR along with all attachments to: **Massachusetts Department of Revenue, PO Box 7031, Boston, MA 02204.**