



SPECIAL NOTICE

**CALIFORNIA DEPARTMENT
OF TAX AND FEE
ADMINISTRATION**

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CDTFA WEBSITE

www.cdtfa.ca.gov

CUSTOMER SERVICE CENTER

1-800-400-7115

TTY

711

Bad Debt Deductions for Lenders and Affiliated Entities Will Change on January 1, 2025

Senate Bill (SB) 167 (Stats. 2024, ch. 34)¹, makes the following changes regarding bad debt deductions for sales or use tax:

- Lenders² may no longer take a bad debt deduction or file a claim for refund for accounts found worthless on and after January 1, 2025.
- Affiliated entities (as defined under [section 1504](#) of Title 26 of the United States Code) of a retailer may no longer take a bad debt deduction or file a claim for refund for accounts found worthless on and after January 1, 2025.

If you are a lender or an affiliated entity, you may continue to take a bad debt deduction or file a claim for refund for accounts found worthless and written off prior to January 1, 2025. Claims for refund may be filed for up to three years from the date the account was found worthless and written off for income tax purposes. If you subsequently collect previously claimed bad debts, in whole or in part, you must report to us the taxable percentage of the amount collected.

If you are a retailer who has incurred bad debts, you may continue to take bad debt deductions for sales or use tax paid to the state that is later found worthless and written off for income tax purposes. SB 167 does not impact a retailer's ability to take a bad debt deduction on and after January 1, 2025.

For More Information

If you have any questions, you may call our Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.

¹ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB167

² A lender is any person that holds a retail account purchased directly from a retailer who reported the tax or any person who holds a retail account according to a contract they hold directly with the retailer who had previously reported the tax. Any person who is an affiliated entity or assignee of these persons is also a lender.