

**M e m o r a n d u m****130.0093**

To: Mr. Robert Nunes

January 25, 1978

From: Legal (PRD)

Subject: Bad Debts

The bad debt deduction is not limited to the retailer who reported (and paid) the tax on the sale which resulted in the bad debt. The bad debt deduction extends to the person who was liable for the tax on the original sale (and who suffered the bad debt) even if that person did not pay the tax resulting from that sale. "Successor" for the purposes of Regulation 1642(h)(1)(A) means a Sections 6811 and 6812 successor, who is liable for any tax of the preceding retailer, including the one which went bad (to the extent of the purchase price to be paid by the successor). In this way the predecessor may make the sale and pay the tax while the Sections 6811 and 6812 successor suffers the bad debt and is entitled to the deduction. The --- contract seems to be covered by Regulation 1621(h)(1)(C).\*

*1642(h)(1)(A).
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