

the principal balance reaches zero. Should the consumer default, however, the remaining sales tax as represented in the unpaid principal is available as a refund (commonly referred to as a “sales tax bad debt refund”), within the confines of the statute of limitations for refunds.

The Tax Commission’s refund auditors who examine sales tax bad debt refund claims require, per Idaho rule, that a taxpayer provide a complete accounting of each customer’s sales transactions and how partial payments up to the time of default and write-off were applied for the purpose of determining a refund amount. For sales tax refund request purposes, partial payments are applied to the sales transaction amount and the agreed-upon interest that the customer is subject to at the time of sale. That is, each payment must be allocated between; the earliest, in-statute existing, and outstanding debt that was subject to tax; and the accrued, contracted interest up to the point when the payment was received. Petitioner submitted ten sales tax bad debt refund claims, on Idaho Form TCRs, Sales Tax Refund Claim (TCR), totaling \$212,880.66. Included with Petitioner’s request was a statement that additional information to support the amount of these refund claims is available upon request.

The Bureau requested the additional information, which upon receipt, was not the detailed information required to approve the refunds, but rather Petitioner’s explanation that they do not retain records itemizing the contents of financed transactions or showing what portion of financing went towards sales tax. Instead, Petitioner stated they rely on a “Taxable Percentage” to calculate its bad debt.

The Bureau determined the information provided was not sufficient to allow the refunds requested, so they asked Petitioner to provide the following additional information: (1) An itemized description of the specific goods or services sold by the retailer and detailed individual account information for each customer. (2) An explanation of why their use of a “Taxable Percentage” is an

accurate measure when determining the amount of sales, its significance, and the method used to calculate it. (3) Account records that detail the customer's payment history and how each payment is allocated towards the principal amount financed, interest, and administrative fees.

Petitioner did not respond. Therefore, the Bureau, lacking adequate documentation to approve the refund claims, issued the Notice, denying Petitioner's refund requests.

In response to the Notice, Petitioner submitted their protest, stating in pertinent part:

The sole item that the Commission has deemed to be insufficient is the lack of invoices from the original sales transactions that shows the specific amount of sales tax charged on each item sold. A financial institution such as ██████████...can and in this case has shown that it provided the financing for the sales of property upon which tax was paid. ██████████ has provided a transaction-by-transaction listing of these transactions which aggregate sales prices and the sales tax on those items into one total.

The Bureau acknowledged Petitioner's protest and forwarded the matter to the Tax Commission's Appeal Unit (Appeals) for administrative review. Appeals sent Petitioner a letter informing them of the options available for redetermining the Notice. Petitioner responded and scheduled an informal hearing.

At the informal hearing, Petitioner stated they are unable to submit the requested sales information because the retailers do not provide it to them, which is why they use a "Taxable Percentage" to calculate the amount of their refund requests. Petitioner explained the "Taxable Percentage" is provided by the retailer and represents an allocation of their gross sales subject to tax. Petitioner also stated that in instances where they request a "Taxable Percentage" from a retailer and it is not provided, they will use the most recent information to calculate an allocation. After reviewing the information in the file and the testimony presented at the informal hearing, the Tax Commission hereby issues its decision.

LAW AND ANALYSIS

In Idaho, the sale, purchase, and use of tangible personal property is subject to tax unless an exemption applies as per Idaho Code section 63-3612. Retailers are the facilitators of these transactions and must collect the tax from their customers, which is computed on the sales price at the time of sale for all credit, installment, or similar conditional sales (Idaho Code section 63-3619). For the purposes of this decision, it is accepted that Petitioner financed retail sales and while not the retailer, has a right under Idaho's law to seek a refund of sales tax in the event any customer defaults on a contract to pay fully for the purchase(s) over time (Idaho Code section 63-3613(d)).

The following administrative rule refers to the rights of Petitioner in seeking a refund and describes calculating a refund of sales tax for worthless accounts. It states in pertinent part:

02. Rules for Unsecured Credit Sales. The following rules apply to unsecured credit sales:

a. When a seller cannot collect accounts receivable arising from an unsecured credit sale of tangible personal property subject to sales tax, he can make an adjustment on his sales tax return or apply for a refund of taxes according to this rule.

b. The adjustment or refund may be claimed on the sales tax return for the month in which the bad debt adjustment is made on the books and records of the taxpayer. The tax for which the credit or refund is sought is included in the amount financed and charged off as a bad debt for income tax purposes.

c. A written claim for the refund may also be filed with the Commission within three (3) years from the time the tax was paid to the Commission. The Commission will review all such refund claims. See Rule 117 of these rules, Refund Claims.

05. Amount of Credit Allowed. The amount of credit that can be claimed is the amount of sales tax that is uncollectible. If both nontaxable and taxable items are financed, credit may be taken only for that portion of the bad debt which represents unpaid sales tax.

07. To Claim Credit for a Bad Debt. Credit for bad debts for sales tax purposes may be claimed by the retailer that made the original sale and paid the sales tax to the state. Financial institutions or other third parties who are the assignees of the retailer may claim a bad debt for sales tax on property for which they provided financing, if the amount financed includes the sales tax remitted on the sale of the property. The person claiming the credit must be the person who ultimately bears the loss if the buyer of the property defaults on the obligation to repay.

(IDAPA 35.01.02.063.)

In relevant part, IDAPA 35.01.02.117 Refund Claims states:

01. In General. Application for refund of sales or use taxes paid in excess of those properly imposed by the Sales Tax Act is to be in accordance with the provisions of this rule.

06. Refund Claims. A refund claim, however, is to be in writing and include the following information:

- a. Full name, address, and phone number of the claimant;
- b. Claimant's seller's permit number or use tax account number if claimant has such a number;
- c. The amount of the refund claimed;
- d. A detailed statement of the reason the claimant believes refund is due;
- e. *An itemized description of the specific goods or services to which the tax relates;*
- f. The date on which the claimed excess taxes were paid;
- g. If the claimant is the retailer, a statement under oath that the amount of tax plus interest has been or will be refunded to the buyer; and
- h. *If the claim is for bad debt, detailed individual account information for each customer and each item purchased for which a refund is claimed.*
- i. A refund claim must be filed within three (3) years from the time the payment was made to the Commission. If a refund claim does not include the required information listed in Subsections 117.06.a. through h., as applicable, then the claim does not satisfy the requirement to file a written claim to stop the period of limitations provided in Section 63-3626(b)(1), Idaho Code, from running. A refund claim that does not include the required information will be denied and processed as set out in Subsection 117.11 of this rule.

(emphasis added). These rules are enacted under statutory authority. *See* I.C. § 63-3624(1). "IDAPA rules and regulations are traditionally afforded the same effect of law as statutes." *State v. Crist*, 571 P.3d 480, 487 (Idaho 2025).

Petitioner has not provided the data required by the rules. In the current matter, Petitioner argues the information submitted is sufficient to support the amount of the refunds claimed and includes only refunds of sales tax paid on the unpaid taxable portion of bad debt. However, the information provided does not meet the requirements in the rules and is contingent on the following assumptions:

- Each retail transaction correctly charged, collected and remitted the tax collected by the retailer.
- The amount calculated in determining the refund is a correct representation of each customer's periodic payments made to satisfy their debt and each period payment made is correctly allocated appropriately and includes any additional finance charges.
- Petitioner's application of a "Taxable Percentage," is an accurate allocation demonstrating the retailer's sales subject to tax.

Petitioner's refund of any overpayment as allowed in Idaho Code section 63-3626 is dependent on an actual overpayment. Petitioner has not shown an actual overpayment in taxes; at best Petitioner provided an estimation of the best determination of an overpayment based on the provided assumptions.

Petitioner's information did not identify any actual overpayments, at best, Petitioner provided an assumption that a refund is due. In addition to not providing the requested sales information, what Petitioner provided contained the following errors:

- There are transactions where Petitioner's requested refund exceeded the actual sales tax charged and collected.
- Transactions beyond the allowed three-year statute of limitations.
- It included local sales tax not administered by the Tax Commission.

- Refund included transactions identified as “Unapplied Amounts”

Petitioner did not properly submit the correct information, nor did they provide fully accurate information upon request. As stated in IDAPA 35.01.02.117.06i, “A refund claim that does not include the required information will be denied and processed as set out in Subsection 117.11 of this rule.”

CONCLUSION

The Tax Commission owes a duty to the state to judge the accuracy of sales tax liabilities and refund claims and, by statute, employ auditors to do so according to Idaho Code section 63-3624. There is no prohibition in any tax statute that prevents the Tax Commission from establishing audit guidelines that examine any aspect of a taxpayer’s accounting records and seek reasonably available records. The Tax Commission’s stewardship of state funds encourages the rigorous, yet fair standards outlined in this decision.

In Idaho it is well established that a Tax Commission Notice “is presumed to be correct, and the burden is on the taxpayer to show that the Tax Commission’s decision is erroneous.” *Parker v. Idaho State Tax Comm’n*, 148 Idaho 842, 845, 230 P.3d 734, 737 (2010) (citing *Albertson’s Inc. v. State Dep’t of Revenue*, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984)). Petitioner has not met their burden. Therefore, the Tax Commission finds the Notice is correct.

THEREFORE, the Notice is hereby APPROVED, AFFIRMED, and MADE FINAL.

The Notice denied Petitioner’s request for refund. Therefore, no demand for payment is made or necessary.

An explanation of Petitioner’s right to appeal this decision is enclosed.

DATED this _____ day of _____ 2026.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2026,
a copy of the within and foregoing DECISION was served by sending the same by United States
mail, postage prepaid, in an envelope addressed to:



Receipt No.
