


Internal Revenue Code Section 166(a)

Bad debts

 (a) General rule.

- (1) Wholly worthless debts. There shall be allowed as a deduction any debt which becomes worthless within the taxable year.
 - (2) Partially worthless debts. When satisfied that a debt is recoverable only in part, the Secretary may allow such debt, in an amount not in excess of the part charged off within the taxable year, as a deduction.
- (b) Amount of deduction. For purposes of subsection (a), the basis for determining the amount of the deduction for any bad debt shall be the adjusted basis provided in section 1011 for determining the loss from the sale or other disposition of property.