



# Keep Up to Date on **ACCOUNTS PAYABLE™**

Inside information on how leading companies are managing cash and payments, in a fast-read format, twice a month.

October 15, 2021

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## CFO DAILY NEWS

CFO Daily News, part of the SuccessFuel Network, provides the latest finance and employment law news for finance professionals in the trenches of small-to-medium-sized businesses. Rather than simply regurgitating the day's headlines, CFO Daily News delivers actionable insights, helping finance execs understand what finance trends mean to their business.

## More states pass laws on data breaches: Keys for A/P

### ■ Mandates require stricter compliance for finance

New data breach laws being passed across the country give A/P and finance pros even more reason to make sure employees' confidential personnel data stays secure.

Texas is one of the latest states to strengthen its data breach regs, and more states will likely follow suit.

Here's the latest info you'll need to know to stay in compliance.

### Reporting & prevention protocol

Effective Sept. 1, 2021, HB 3746 updates Texas' existing data breach laws, which required businesses to notify both affected individuals

and the state attorney general about any data breaches that occur.

Now, Texas companies that experience a data breach must include the number of affected state residents who they notified about the breach by mail or other type of direct communication in their notification to the attorney general.

The Texas attorney general must be notified if data breaches impact 250 residents or more. The official notification also needs to include other details about the breach, such as a description of how it happened, the steps the company took to solve

*(Please see Data breaches ... on Page 2)*

### Fall unclaimed property deadlines fast approaching

#### ■ Make sure you're ready to report, remit payments

Along with darkening nights and changing leaves, other telltale signs of fall are unclaimed property reporting deadlines, which are fast approaching for many states.

These states require companies to submit reports by Oct. 31 or Nov. 1.

#### Check on procedures

Each state's requirements for unclaimed property differ slightly. For example, in South Carolina, reports must be submitted online by Nov. 1. Checks are no longer accepted for payment and all funds

must be remitted electronically.

In most states, employers can request deadline extensions for reports if necessary. However, your time may be limited in some cases.

Example: Missouri allows you to request extensions in writing, but you need to do so at least 30 days before the due date of Nov. 1.

Now's the time to check up on unclaimed payments and review any updates to the laws in states where you're required to report.

*Info: [bit.ly/fallunclaimed549](https://bit.ly/fallunclaimed549)*

## Data breaches ...

(continued from Page 1)

the problem and info about any pending legal investigations.

In addition, the attorney general will now maintain a public list on its website of any data breach notifications received from employers.

States that currently have similar requirements include California, Maine and Washington.

California's law requires people to be notified of breaches, but the attorney general only needs notice of breaches affecting 500 workers or more. Washington's law is similar. Maine maintains an online database of data breach notifications that impact state residents.

Each state has an online form businesses can complete if they need to report data breaches.

Being cautious with employee info can help A/P pros avoid the hassle of having to report data breaches to the state or other entities.

It also can help companies save money on the "damage control" required to mitigate the effects of breaches, including notifying affected workers and offering them data protection services if required.

Following critical cybersecurity measures is key to protecting workers' data. Avoid opening any unfamiliar emails, keep passwords to internal

systems and payroll software secure and hard to guess, and work with IT to make sure your computer is regularly updated and has current antivirus software running.

You may also want to ask IT to implement stronger security features to access A/P systems and software, such as multifactor authentication when logging in and passwords that automatically expire after a specified amount of time.

### Response strategy

If the unthinkable happens and a data breach occurs, acting ASAP is the best way to protect yourself and your company.

Companies should create a data breach response team immediately after a breach occurs, according to the Ponemon Institute, an industry leader in data protection for employers.

Your data breach response team should have members from various departments, including A/P, HR and Payroll. Its goal should be to evaluate the breach's impact on every aspect of the company and come up with an action plan to alert affected individuals and avoid similar issues in the future.

The team should also create a risk assessment plan that looks at specific data security issues in your company and lays out steps to prevent data from being compromised.

**Info:** [bit.ly/databreach549](https://bit.ly/databreach549), [bit.ly/breach630](https://bit.ly/breach630)

## Sharpen your judgment

*This feature provides a framework for decision making that helps keep you and your company out of trouble. It describes a recent legal conflict and lets you judge the outcome.*

### ■ Expenses reimbursed, but staffers not paid for time

Interrupted for the fifth time today by a call from a member of the company's customer service team, A/P Manager Jenn Smith made her way to Customer Service Manager Pat McGee's desk.

"Pat, I've been getting bombarded with complaints from people on your team, and I need to ask you something," Jenn said.

"Go for it," Pat replied.

"I've been reimbursing them for business lunches with customers and attending conferences," Jenn began. "Now the reps are starting to grumble about not being paid for that time, even though they're working. What's the deal?"

### Unpaid wages?

"Our customer service staffers have to be on 24/7, so we have our own special timekeeping rules when it comes to recording lunches, overtime ... you name it," Pat said.

"So even if it involves work expenses that are reimbursable, they're not allowed to report the time?" Jenn asked.

Eventually, the customer service reps at Jenn's company filed a class action lawsuit to recoup unpaid wages for compensable time worked, plus "bad faith" damages from the company under the Fair Labor Standards Act (FLSA).

The company tried to get the case dismissed on the grounds it was unaware that employees were underreporting work activities and that a state statute of limitations made certain members of the class ineligible. Was it successful?

■ *Make your decision, then please turn to Page 6 for the court's ruling.*



Keep Up to Date on  
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# Networking with Other A/P Pros

Our subscribers come from a broad range of companies, both large and small. In this regular section, three of them share success stories you can adapt to your own unique situation.

## 1 Encouraged partners to switch with us to ACH

As our entire staff continued to work from home, the way we sent and received payments needed to change.

In the early stages of the COVID-19 emergency, I forwarded all company mail to my house, forcing me to sift through it to find all the paper invoices and checks. It was a huge waste of time!

### Getting everyone on board

Since we were already using the ACH network for a few of our processes, and some of our clients

and vendors were also using ACH, it was time to start using it to its full digital potential for e-payments.

Convincing all our clients and vendors to transition to electronic payments via ACH just took some extra communication and follow-up. Here are the steps we took:

- We sent mailings on bright-colored paper to clients and vendors to get their attention for our “make the switch to ACH” effort.
- We highlighted the campaign during client meetings and personally encouraged those who weren’t yet using ACH to switch.

- We included information about the change in personalized letters and all our invoices.

Our A/P and A/R processes became streamlined. We went from paying 10% of our vendors by ACH to 95%, and increased our total client base that was using ACH from 55% to 75%.

This has freed up about six to eight hours a month that were previously spent on payment processing.

*(Nicole Cornish, CEO, Subject Matter, adapted from “An ACH Success Story: Creative Advocacy Firm Encourages Making the Switch to ACH” on Nacha.org)*

## IMPROVING YOUR OWN A/P PROCESS

## 2 Became more vigilant after BEC attack

I’d heard about business email compromise (BEC) phishing attacks, but never expected to deal with an attack firsthand.

A co-worker’s email got hacked, then I received an email from the hacked account. Because it was from somebody I knew, I clicked on the link in the message.

The next thing I knew, my work email account was compromised.

Luckily, someone from IT got wind

of the attack just in time to prevent any serious damage.

How could we prevent this from happening again?

### Security tips from IT

Because cyber crooks are good at making fraudulent emails look genuine, and they do their homework to get familiar with the ins and outs of an organization, IT gave A/P and Purchasing these best practices:

1. Be cautious with any email you didn’t initiate that contains an

attachment or link.

2. Before clicking on any email links, look for contact info like a phone number, address, etc. Then make a follow-up call to the sender to check that a file or link is safe.

3. Be suspicious of any email requesting account info that has an urgent tone.

We’re much more on our guard and haven’t had any additional incidents.

*(Kevin Their, Purchasing Agent, Cardinal Glass Industries, Spring Green, WI)*

## 3 Keeping schedule key for year-end process

There was much to do for year-end.

Not only did we have a lot of 1099 forms to generate, but because of COVID-19, it was important to report our Families First Coronavirus Response Act (FFCRA) tax credit data correctly on the Form 941 due at the end of January.

### Start in fall

To ensure our organization wouldn’t still be working on year-end

tasks at the holidays, we had to get started early. So we scheduled time from October into early November to:

- review vendor activity to see which ones need to get a Form 1099
- review all transactions to determine whether a vendor gets a 1099-NEC or a 1099-MISC
- research information and attend any webinars related to IRS updates that affect us
- make sure our software’s updated and prepared to handle any government-implemented tax changes

- double-check the tax withholding and FFCRA related info we’re reporting on Form 941, and
- conduct a final review.

We appropriately prioritized and assigned tasks, shared workloads and set weekly checkpoint goals. We now have a successful system in place for year-end, and each team member understands their role in the process.

*(Cathy Parker, Office Manager, HRDC District 7 Community Action Agency, Billings, MT)*

# T&E Spotlight

T&E comprises 8%-12% of the average organization's total budget – and it's also one of the areas where A/P can make the most impact. This regular feature showcases the latest ways you can save time and money on processing travelers' expense reports and reimbursements.

## TRAVEL SPENDING IN 2021

As traveling kicks back into gear, you're likely seeing that the type of expenses you're reimbursing workers for are going back to normal.

Most A/P pros noticed a big shift in expenses during the pandemic, according to a blog post from TripActions, a tech company focused on streamlining corporate travel.

Instead of submitting expense reports for flights, lodging and meals, many employees asked to be reimbursed for work-from-home expenses such as office furniture, internet costs and printers.

During the first two quarters of 2021, however, that began to change. COVID travel restrictions began to lift, and workers started taking business trips again.

That's reflected in TripActions' top 4 business expense categories for the first two quarters of 2021:

1. Accommodations
2. Car rental agencies
3. Restaurants, and
4. Gas stations.

In the first quarter of 2021, the top 10 business expenses were equally made up of travel expenses and other unrelated business expenses, including computer software and books.

However, six out of 10 of the top business expenses in the second quarter were related directly to travel.

For the second quarter of 2021, airlines and air carriers was the fifth most commonly reimbursed business expense – a big jump from ranking 14th in the previous quarter.

Meanwhile, miscellaneous expenses, used for expenses workers didn't know how to categorize (including work-from-home expenses), decreased from the fifth most common request in the first quarter to the 10th most common request in the second.

Although it seems like managing travel expenses will still be top priority for A/P going forward, it may also be a good idea to update your existing expense policies to account for some of those miscellaneous expenses workers will want reimbursement for down the line, which may continue to include expenses related to telework.

Info: [bit.ly/quarterexpense549](https://bit.ly/quarterexpense549)

## Biggest obstacles to digital transformation

### What's holding your firm back from making A/P fully digital?

Note: More than one answer accepted.



Source: AIIM, AAIM.org

Besides technology infrastructure, what most often gets in the way of modernizing A/P is either related to money or organizational culture. Because staying competitive may rely on digital A/P solutions, it's time to address critical tech updates with execs.

## TEST YOUR KNOWLEDGE

### Ways you can speed up Microsoft Windows 10

Although the Windows 10 operating system performs well most of the time, there may be moments when it starts running so slowly that it impacts your productivity for the day.

But there are things you can try other than rebooting your computer before summoning IT for support.

Answer *True* or *False* to the following to check your knowledge of how to troubleshoot a sluggish Windows machine.

1. You can try updating your computer's drivers, but it's a manual process that takes too much time to be worth it.
2. Windows 10 has performance settings that you can adjust.
3. If your computer is slow to start up, it's because of the number of applications competing to start running at the same time. You just have to be patient and let each program run.

## ANSWERS

- Answers to the quiz:
1. *False*. Drivers do need updating, but they can be hard to keep track of. However, there are free apps you can install to automatically update drivers, such as Outbyte Driver Updater. Ask IT what they recommend.
  2. *True*. From the lower left corner Start menu, select the settings cog icon, System, About, then Advanced system settings. Select the Settings box under Performance, "Adjust for best performance," then click OK.
  3. *False*. Right click the taskbar at the bottom of the screen, select Task Manager, then the Startup tab. Select an app you don't need right away, then click the Disable button at the bottom right.
- Cite: [bit.ly/windows549](https://bit.ly/windows549)

# Performance Boosters

To help our readers improve payables operations, KAP selects the best ideas from a variety of sources and presents them in a quick-read format.

## **Best way to get expense reports for company cards**

When it comes to reconciling expenses on company cards, you may deal with a few employees who don't get A/P their expense reports and receipts in a timely fashion.

To prevent this from happening, set a monthly deadline for regular users. Your best bet is selecting a date that's five to 10 business days after you receive the monthly credit card statement so you can reconcile the amount ASAP. It also works to make the deadline the end of the month.

*Info: [bit.ly/card549](http://bit.ly/card549)*

## **'To-do list bankruptcy' helps you get a fresh start**

Everyone's to-do list can get long sometimes, especially during year-end crunch time in finance.

You know that having too many tasks on your plate can be overwhelming and counterproductive, but do you know when you need a clean slate?

Experts suggest that you may need to declare "to-do list bankruptcy," purging your list fully and making new priorities, if:

- you've been using your current system for a while
- you feel overwhelmed when you pull up your tasks
- you think your system's unusable
- you've started using a different system for your critical tasks, and
- you would need at least an hour to organize your current list.

*Info: [bit.ly/bankrupt549](http://bit.ly/bankrupt549)*

## **Get benefits of networking without health risks & costs**

Networking is crucial for keeping up with the latest developments in A/P, sharing ideas and benchmarking your performance against your peers.

However, attending events in person might be difficult, between health concerns and heavy workloads.

Solution: Join an online forum centered around A/P and other finance professionals. Whether it's a LinkedIn group or a more private group, like Airbase's popular "Off the Ledger" Slack community, you'll be able to ask questions and bounce ideas off finance pros from all over the globe.

Best of all, it's cost-effective, since most forums are free to use.

## **How writing a letter can boost your work motivation**

If you're having a hard time getting work done and staying motivated, writing a letter to your future self to congratulate yourself on finishing could do wonders for your morale.

A simple, "Dear future me, great job on getting those invoices paid! Now treat yourself to a coffee," may be just the thing to energize you and keep you focused on your tasks.

*Info: [bit.ly/letter549](http://bit.ly/letter549)*

### **SOFTWARE SKILL BOOSTER**

## **Turn your Windows webcam into a document scanner**

Instead of using a scanner to digitize paper documents, try using your computer's webcam.

If you have Windows, open the Camera app and place your document in front of the webcam. Take a photo by clicking the white camera icon. The picture should appear in the bottom right corner. Click on it to open it, then select the three dots in the upper right corner to open the folder where it's saved. Move or resave the photo to wherever you'd like.

*Info: [bit.ly/webcam549](http://bit.ly/webcam549)*

*If you have a story idea or comment to share, contact the editor at [bbingaman@CFODailyNews.com](mailto:bbingaman@CFODailyNews.com)*

### **PAYABLES NEWS**

#### **■ IRS: Backup withholding may be necessary with contractors**

As B notices are being issued, the IRS is reminding A/P pros of the situations where backup withholding is necessary.

If a contractor doesn't provide you with a Taxpayer Identification Number (TIN) or if you receive notification from the IRS that the person's TIN doesn't match the name that's on file, you'll have to withhold 24%, the current backup withholding rate, from the payment.

To avoid this situation, always double-check that the TIN you have on file for the contractor is correct before making any payments.

*Info: IRS/SSA Reporter, September 2021.*

#### **■ The biggest frustration with invoices for 25% of A/P**

It's likely you share this same pain point with a quarter of your peers: dealing with duplicate invoices or payments.

This comes from a new survey by PYMNTS, which found that this issue creates big hassles for companies with manual A/P processes.

Investing in updated tech that can automatically spot invoices coming from the same vendor can save time and money – a big selling point for the top brass.

*Info: [bit.ly/invoice549](http://bit.ly/invoice549)*

#### **■ New portal simplifies PPP loan forgiveness process**

There's an easier way for businesses that received Paycheck Protection Program (PPP) loans to apply for loan forgiveness if certain conditions are met.

The U.S. Small Business Administration has created a portal where businesses can apply directly to forgive PPP loans of \$150,000 or less without having to submit paper forms. If your lender's opted in to participate, you can create an account and apply immediately.

*Info: [bit.ly/ppp549](http://bit.ly/ppp549)*

# 5 tips to help A/P staffers regain their focus to tackle year-end prep

■ *Help them mentally switch gears from summer to fall*

Cooler temperatures and a new school year are signs that the countdown to year-end is on for A/P and the rest of finance.

The transition from thinking about vacation getaways to tax filing deadlines will happen slower for some. But if you start noticing a drop in productivity or a dip in enthusiasm from your people, it may be time to change things up.

### Re-energizing the A/P staff

Consider these strategies for motivating your team to bear down and get the ball rolling on your organization's year-end projects:

1. **Identify team members' individual strengths.** You know which A/P staffers are good at certain things. Try assigning people to different responsibilities that match their personalities and abilities.
2. **Set small, achievable goals.** Along with main project goals for tackling year-end tasks, create smaller, attainable goals for along the way. They should be things your team can reasonably accomplish by, for

example, the end of the week. Even mini-wins give people a sense of accomplishment.

3. **Send emails sparingly.** Multiple new emails can be distracting and slow productivity. Instead, have your team communicate via a messaging app like Slack. Team members can see each other's availability status, and it's easier to find older messages than it is in email inboxes.
4. **Ask if there's anything they need.** Does each team member have access to the tools and data necessary for getting the job done? If you're sensing a lack of focus, it may be time for individual check-ins to see if anyone needs help, make appropriate adjustments and follow up weekly to see how they're progressing.
5. **Take time for morale building.** Give your people a chance to get to know each other outside the office and talk about non-work things by setting up a happy hour or a virtual "water cooler" chat room.  
*Info: [bit.ly/focus549](http://bit.ly/focus549)*

work hours because records, such as expense reports for meals and travel, indicated otherwise.

### Analysis: Second opinions help

When issues like the ones in this case come up, A/P shouldn't hesitate to get other departments, like Payroll, involved to resolve them right away.

Addressing potential compliance problems together ASAP can save your company legal headaches – or if it involves legislation like the FLSA, even scrutiny by the feds.

*Based on Bolding v. Banner Bank. This case was fictionalized for dramatic effect.*

## MISTAKES THAT COST

*This regular feature shows how companies and individuals have run afoul of state or federal laws. See how others got off track so you can avoid similar problems.*

### Food festival fraud left bad taste in NY mouths

**Individual:** Ishmael Osekre, operator of African Food Festival, LLC, in New York City.

**Violation:** The event producer never provided food or entertainment for two city food festivals he organized, even though he sold tickets for the events. He also didn't pay various vendors, contractors and production staff he hired.

**Penalty:** Osekre must pay more than \$310,000 in restitution and penalties. He's also been banned from putting on any festivals in the state of New York.

**Note:** When staff he hired refused to work without payment, Osekre wrote them bad checks.

**Cite:** [bit.ly/foodfest549](http://bit.ly/foodfest549)

### Retirement contributions weren't remitted to plan

**Individuals:** Donald Miller, chief operating officer; and Jennifer Miller, director of human resources and accounting; Pinnacle Machine LLC, Appleton, WI.

**Violation:** The father/daughter duo failed to forward employee payroll contributions to the company's retirement plan for over three years, from January 2016 to September 2019.

**Penalty:** The Millers must repay \$41,869 to the plan. They're also banned from being fiduciaries of any plan covered by the Employee Retirement Income Security Act.

**Note:** Neither Donald nor Jennifer Miller responded to the complaint from the Dept. of Labor, so a default judgment was entered against them in court.

**Cite:** [bit.ly/retire549](http://bit.ly/retire549)

## Sharpen your judgment THE DECISION

(See case on Page 2)

Yes and no. While parts of the suit against the company were thrown out, the case was allowed to proceed.

The court ruled the statute of limitations does come into play here. As for the Fair Labor Standards Act (FLSA) complaint, determination of "good faith or intent" can't be made as a matter of law, the court said.

However, the court didn't believe the company had no knowledge its reps were underreporting actual

# Making Technology Work for You

## Steps to safeguard A/P from bold, sophisticated BEC fraud attempts

### ■ Best practices for preventing payment fraud

A/P pros are experts at managing payments, but your work also makes you vulnerable to business email compromise (BEC) attacks, which are getting harder to detect.

Fraudsters either impersonate a vendor or a company executive and – sometimes using replicas of canceled checks or W-9s – change a legitimate vendor’s payment information to their own personal account.

### Due diligence

To fight back against this type of fraud:

- **Email and call the vendor.** After receiving any payment change request, email the trusted contact you have on file to confirm it’s real. Then make a phone call using a previously used, legitimate number to the vendor’s controller. Ask the controller to verify the bank name and the last four digits of both

the old and new accounts.

- **Attach original paperwork.** When sending a payment change request information to a vendor’s controller, attach all the paperwork submitted with the request. The controller will either validate it or let you know it’s a fraud attempt. Also, ask the controller to identify the last four payments they received from your firm.
- **Only accept a custom change form that your trusted vendors already have.** Create a personalized form the vendor must complete to request a change and get it in your vendors’ hands. Explain why you’re making this change.
- **Request two signatures.** Require signatures of two financial officers from a known vendor before making any initial ACH setups or changes to banking information.  
*Info: [bit.ly/fraud549](https://bit.ly/fraud549)*

## Unnecessary pages in that PDF? How to delete them

### ■ PDF pages can even be removed on mobile devices

There are several ways to get rid of blank or filler pages in that PDF file you downloaded without having to use Adobe Acrobat.

Whether your preference is a browser, smartphone or a PC/Mac program, there’s a solution.

### Document decluttering

Chrome, Edge and Firefox allow you to “print” the contents of a PDF to a new file while omitting what you don’t need.

Drag and drop the PDF document into your browser to preview it. Select the Print button and enter the page ranges you want. Set the printer to “Microsoft Print to PDF” or “Save as

PDF” and click Print or Save.

On Androids, use the Google PDF Viewer to open the file, tap the three-dot icon on the top right of the screen and select Print. Uncheck the boxes by pages you don’t want, set the printer to “Save as PDF” and tap the Save icon.

For iPhones/iPads, open the PDF with the Files app, tap the Share icon and select Print. Uncheck the pages you’re deleting from the preview area to the bottom of the screen.

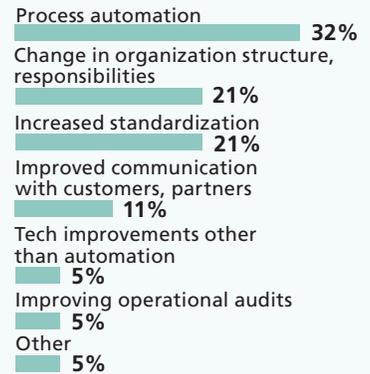
Pinch-out on a thumbnail page to enter a different preview screen. Tap the Share icon again and tap “Save to Files.”

*Info: [bit.ly/pdfpages549](https://bit.ly/pdfpages549)*

## How do you stack up?

### Improving P2P

What area of your company’s purchase to pay process could be better?



Source: Peeriosity, [Peeriosity.com](https://peeriosity.com)

When viewed as an end-to-end process, purchase to pay has several elements that can be analyzed and improved. Here are the changes your A/P peers think would have the most impact.

*Each issue of KAP contains an exclusive survey to give payables professionals insight into what their peers nationwide are thinking and doing.*

## THE LIGHTER SIDE

### ■ Professional standards may be slipping for teleworkers

While remote work has its benefits, it’s also spawned some “home comfort syndrome” habits some might call unprofessional.

According to a poll of remote workers in the United Kingdom, France and Germany:

- one in five get out of bed with five minutes or less to spare before starting work
- 19% say they load the dishwasher or do laundry tasks during conference calls, and
- 44% admit to working from home while hungover.

On the bright side, at least they’re developing multitasking skills! And as long as they aren’t extending this “home comfort syndrome” to wearing robes on Zoom calls, it’s OK.

## Taking the guesswork out of state tax compliance

Here's KAP's roundup of key state tax changes. Developments in other states often indicate trends to watch. Your state may be next.

### ADVERTISING

Depending on state regs, expenses related to advertising may or may not be exempt from taxes.

**MICHIGAN** – Mailing advertising materials out to in-state residents won't cost one retailer use tax in the Great Lakes State.

That's according to an appeals court's decision in *Bed Bath & Beyond Inc. v. Department of Treasury*. The court upheld a lower court's ruling that, since the retailer contracted with a marketing company to send the mailings, it wasn't directly in charge of preparing and distributing them.

*Info: bit.ly/mi-549*

**NEW YORK** – A company that sells coupon clearing products to advertisers isn't subject to sales and use tax. Neither are the retailers that accept the coupons.

In an advisory opinion, the state commissioner of taxation and finance said the primary function of the product the company sells is a coupon processing service, which isn't taxable.

*Info: bit.ly/ny-549*

### MEDICAL DEVICES

The rules for knowing when medical devices are taxable can be tricky. Two states recently weighed in.

**ARIZONA** – In a private letter ruling, the state department of revenue said that tax must be paid on any sales of insertable cardiac monitors. Reason: The monitors didn't meet any of the requirements for exemption.

They didn't qualify as prosthetics because they didn't support or replace a body part or improve the function of an organ. The monitors just recorded patients' cardiac events.

And they didn't qualify as durable

medical equipment because they weren't reimbursable by Medicare, and they weren't designed for use in the patient's home.

*Info: bit.ly/az-549*

**TEXAS** – A combined tissue expander and dosage controller used for reconstructive surgery after mastectomies wasn't exempt from sales tax, said the Texas Comptroller.

Doctors and hospitals purchased the devices directly from the manufacturer, which claimed they should've been exempt as therapeutic or prosthetic devices.

However, that wasn't the case here. Therapeutic devices are only exempt from taxes if purchased by patients. And the device wasn't a prosthetic because it didn't replace a missing body part or function like an organ, and it wasn't a permanent implant.

*Info: bit.ly/tx-549*

### ONLINE LEARNING

With the pandemic limiting in-person education options, many classes and seminars take place online. Here are three updates on the taxability of e-learning programs.

**COLORADO** – Online learning classes are taxable in the Centennial State, the state department of revenue said in PLR 21-005. Here, an online learning platform offered people various professional, educational and vocational courses. Participants paid subscription fees for the classes.

Per the department, the sales of these courses counted as "the sale of tangible property" because they were packaged as finished modules. And under the law, tangible property sales must be taxed.

*Info: bit.ly/co-549*

**INDIANA** – Revenue Ruling #2019-09ST weighs in on the taxability of digital course materials sold to colleges and universities and distributed to students through learning management systems.

These sales were exempt from tax, the ruling said, since students didn't have permanent access to them. They could only use them during the semester they were taking the course.

In addition, the sales were made to public and private universities, which were exempt from tax themselves.

*Info: bit.ly/in-549*

**WASHINGTON** – New guidance makes a clear distinction between online classes that are taxable and those that are exempt.

In a nutshell, any live classes where students can interact directly with the presenter in real-time aren't subject to sales tax. But any prerecorded video classes are.

*Info: bit.ly/wa-549*

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