



# 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.

March 16, 2020

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## CFO DAILY NEWS

CFO Daily News, part of the Catalyst Media 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.

## Is your A/P dept up with the times ... or lagging behind?

■ *This quiz will reveal what to focus on now*

Out with the old, in with the new ... A/P process, that is.

In this decade, your department can't be bogged down by outdated routines and mundane work.

You want to focus on progress and equip your team with the right knowledge and tools to make your company successful and profitable.

But before A/P can move toward a bright future, you first need to take inventory of where you stand.

### Find out now

When it comes to A/P maturity, there are three main levels, outlined in

a recent report from Level Research: Novice, Mainstream and Innovator.

To determine where your A/P team falls, answer these questions and tally up which letter you get the most of:

1. How long does it take to process a single invoice?
  - a. over 40 days
  - b. around 20 days, or
  - c. about 5 days.
2. What percentage of invoices do you receive digitally?
  - a. less than 5%
  - b. about 10%, or

*(Please see Quiz ... on Page 2)*

## More in-person visits from IRS coming in 2020

■ *The Service's face-to-face approach for compliance issues*

Are all of your information return records in order? It'd be smart to double-check.

IRS is now making more in-person visits to ensure that companies are in compliance, especially with information reporting requirements.

Why now? Due to budget increases, IRS was able to hire more agents to expand its enforcement efforts.

While these visits aren't full-on audits, which require IRS to mail your company a request in advance, these "compliance checks-ins" can be seen as a less formal version of audits.

And they could very likely lead to more in-depth audits.

### Prepared for anything

In case IRS agents stop in, A/P should verify it has a completed W-9 for each payee and has filed 1099s for the appropriate payees. A clear document trail is a must.

You'll want to share this news with your CFO and Payroll, too. IRS says payroll taxes will also be a major focus of its in-person visits.

*Info: [bit.ly/irsvisits509](https://bit.ly/irsvisits509)*

# Measuring A/P Maturity

## Quiz ...

(continued from Page 1)

- c. more than 30%.
3. Which dollar amount is closest to your cost per invoice?
  - a. \$15
  - b. \$7, or
  - c. \$2.
4. What percentage of discounts do you capture?
  - a. less than 20%
  - b. about 40%, or
  - c. around 75%.

### Mostly As

Feel like your company might be lagging in the digital age?

Novice departments are still mostly manual. These teams, usually through no fault of their own, may have less visibility and encounter more errors.

Novices should remember that everyone has to start somewhere. And you can kick off the conversation.

After doing some research, talk with other key players (CFO, IT, etc.) about how much money manual processes are costing you. Then gauge their position on tech investments.

### Mostly Bs

Have you made advancements but know there's still work to be done?

**Mainstream** teams are a mixed bag

of paper and electronic. They may have digitized certain process steps (e.g., a data capture tool to replace keying) but lack fully streamlined workflows.

A combination of paper and digital processes can lead to confusion if not managed correctly, so it's a good idea to fully map your processes.

See what's manual, what's digital and come up with a long-term plan. For some, that may mean looking into a comprehensive solution. For others, it may be a piecemeal project.

### Mostly Cs

Has your company totally embraced technological transformation?

**Innovator** departments are mostly or fully electronic, allowing them to spend less energy on tactical tasks.

With processes totally streamlined, Innovators have more time to focus on positioning A/P as a strategic function.

Discuss how your team could bring additional value to the company through strategic work, such as deep data analysis, dynamic discounting, above-and-beyond vendor service or an interdepartmental initiative.

**Note:** It's possible your A/P team ended up with mixed results (e.g., you receive a good amount of e-invoices but still have slower processing times).

You can use the data to show your CFO specific areas where A/P may be falling behind, so you can hone in on making improvements there.

**Info:** [bit.ly/level512](http://bit.ly/level512)

## 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.*

### ■ Did CFO's 'young shark' comment constitute bias?

"Knock, knock."

A/P Manager Jenn Smith looked up from her work to see Payroll Staffer Ryan Parker standing in the doorway. "Hey, Ryan."

"Hi, Jenn. I wanted to tell you we have to postpone our team meeting today. CFO's request."

"Do you know why?" Jenn asked.

Ryan glanced from side to side. "Well, I shouldn't gossip, but ... " He scurried into the office and took a seat. "Did you hear that those two salespeople, Kim and Jared, were fired for poor performance?"

Jenn nodded.

"Well, they're suing our company for age discrimination. And our CFO, Jeff, is right in the thick of it."

### Email goes public

Jenn frowned. "How so?"

"Apparently, Jeff sent an email saying he wanted to hire some 'young sharks' as junior salespeople," Ryan explained. "Word got out about it. And now Kim and Jared, who are both in their 50s, are using that as evidence of age bias."

"Oh wow, that doesn't sound good," Jenn said.

"Yeah. It's crazy how one little comment like that can make all the difference in court," Ryan added.

Jenn grimaced. "We know Jeff didn't have bad intentions. Hopefully that comment doesn't sink us."

When Kim and Jared sued for age discrimination, Jenn's company fought back, saying the ex-employees were fired for poor performance. Did the company win?

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



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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 **A single word helped us reduce credit holds**

One of the most common problems we encountered in our A/P department was missing invoices.

For some reason, invoices weren't getting to us, prompting vendors to put us on hold.

At one point, we were dealing with 30 to 40 credit holds each month.

It was frustrating because we knew A/P wasn't responsible for the holdups and confusion, yet we were the one that dealt with the fallout.

But we wanted to resolve this

problem once and for all, so we decided to dig deeper.

### Look back to move forward

We used a method that we call "the five whys" to find the true root cause of our problem.

Essentially, we asked a series of questions to backtrack and figure out exactly where things went wrong.

We started with the problem:

1. Vendors are putting us on credit hold for missing invoices. *Why?*
2. Vendors aren't sending invoices to A/P. *Why?*
3. The requesters didn't

4. The requesters didn't know. *Why?*
5. They weren't trained to do so.

Our giant problem came down to a lack of proper training for employees on what process steps to follow and instructions to relay to vendors.

So, we talked to Procurement and made training a much higher priority.

We're down to about six credit holds per month. Our goal is zero!

*(Monica Brooks, A/P Manager, OhioHealth Corporation, as presented at the A/P P2P Conference & Expo, Las Vegas)*

## IMPROVING YOUR OWN A/P PROCESS

## 2 **How we handle entitled employee spending**

A/P deals with all kinds of people across the board, from new hires to seasoned vets.

And some people more than others feel that they should be able to spend whatever they want.

Specifically, we noticed that longevity often spurred entitlement.

It's a tough spot for A/P to be in, considering no one wants to lecture people who are in high-ranking positions or have been with the

company for decades.

Still, we knew it was an issue that needed to be addressed and managed.

### Enlisting other teams

What we found: Even though it's an expense-related issue, the message doesn't always have to come from A/P. Sometimes, it sticks more when it comes from someone else.

For example, since a sense of entitled spending can be seen as an employee culture issue, we brought in HR to help talk to some employees.

In another instance, people were feeling entitled because certain financial perks had been revoked. We realized they needed to hear from our CFO, who had more authority and could definitively explain why decisions were made.

Having other key roles within the company back our expense policies and help relay these messages has proven instrumental in reducing entitlement and excess spend.

*(Judy Bicking, APM, Johnson & Johnson, New Brunswick, NJ)*

## 3 **Updated filing system keeps papers organized**

It was hard to keep papers from piling up on our desks as we quickly jumped from task to task.

Because we work with a lot of time-sensitive documents, we couldn't afford for any of them to be swallowed up under a mountain of paperwork.

But there was so much to do on a daily basis that organization and file management didn't always get the time and attention they needed.

We had to figure out how to create a more permanent filing system to suit our needs.

### Traded desks for drawers

We decided to rework our filing system so that each document type had a separate drawer in our filing cabinet. (For example, one drawer was dedicated to general financial documents and another held our insurance-related papers.)

Inside each drawer, we placed relevant file folders and sorted them in alphabetical order.

And inside each folder, documents were organized with the most recent items on top. That way, items with upcoming deadlines always stay front and center.

Using this particular filing system seems to work best for us. With it, we don't have to stop and think about where files are.

Plus, it permanently solved the messy desk problem, and it's easy to keep track of any paperwork that comes our way each day.

*(Kathy Burton, Office Manager, Princeton Family Practice, Princeton, IL)*

# 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.

## INTERCHANGE FEES

Keep a close eye on your corporate card provider, A/P. Some are planning to make changes that'll affect how much you pay.

One prime example: Currently, Visa is overhauling its structure for interchange rates (i.e., the fees charged every time an employee uses a card), reports media company Bloomberg.

### Costlier online booking

What can you expect if you're a Visa user? Some fees will rise, some fees will fall. The changes are set to roll out in two phases in April 2020 and October 2020.

Perhaps most notably for A/P, fees for "card-not-present transactions," aka, payments made online or over the phone, are set to increase.

- The proposed changes are:
- For traditional Visa cards, the fee on a \$100 transaction will rise to \$1.99 (from \$1.90).
  - For premium Visa cards, the fee will jump to \$2.60 (from \$2.50).

That means if your employees use a Visa corporate card for online

bookings, the total prices A/P sees are going to be steeper.

### Preparing your people

Some experts say Visa's move may spur other providers, like Mastercard, to make similar structural changes. So, any company with a corporate card program should watch to see if and how their provider reacts.

And while these fee changes might seem minimal to some, you know how quickly a few extra cents on every expense can add up.

If your company uses Visa, now may be a good time to talk to your CFO about accounting for these changes in your financial budget, as it'll affect anything that your employees buy with plastic.

Also: You could use this as an opportunity to remind employees about making cost-effective choices when using a card.

Explain to them that with certain fees rising, it'll become that much more important for them to seek out the best deals whenever they're booking or buying online.

Info: [bit.ly/visa512](http://bit.ly/visa512)

## TEST YOUR KNOWLEDGE

### Sales tax: When paying for leases gets tricky

Not every invoice that comes through your A/P department is a standard, cut-and-dried purchase.

Your company may lease products or services, too. And they come with their own sales tax complications.

Answer *True* or *False* to the following questions to see how much you know about paying sales tax on leases:

1. Just because tangible personal property (TPP) is exempt as a purchase doesn't necessarily mean that it'll be exempt as a lease.
2. Lease agreements can include add-on costs like interest and finance charges. These are often not taxable.
3. When a leased product (e.g., a piece of equipment) comes with an operator, it may be taxed as a service instead. The taxability decision usually depends solely on who has control of it.

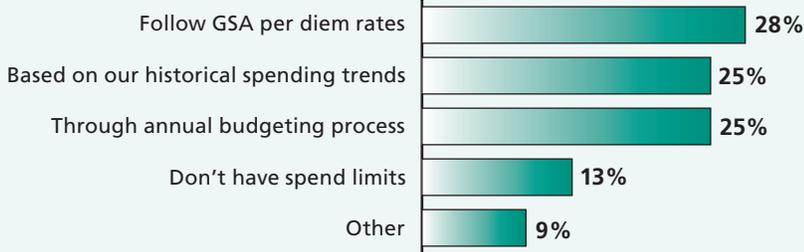
## ANSWERS

1. *False*. If TPP is taxable when purchased, it's generally taxable when leased. And if it's exempt as a purchase, it's generally exempt as a lease, says tax firm Cherry Bekart.
2. *True*. Many times, interest and finance charges aren't taxable, as long as they're separately stated on the invoice. That's why you'll want to be sure to check how the charges are listed on invoices.
3. *False*. There are several factors that can play into the taxability of a leased product that comes with an operator, such as who has possession of it, who has control of it and the scope of the services being performed, Cherry Bekart explains.
- Cite: [bit.ly/leases512](http://bit.ly/leases512)

Answers to the quiz:

## Controlling employee expenses

### How does your company set spend limits for categories like meals, hotels and airfare?



Source: Certify, [certify.com](http://certify.com)

No matter what method you use, it helps to make sure your employees understand why limits are the way they are, so you don't hear griping. For example, if you use per diems, explain that they come from a higher authority. Or if budgetary priorities shifted and limits were lowered, spell that out.

# 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.

## Vendor risk scores: Do yours include these 6 factors?

Many Purchase-to-Pay teams monitor vendor risk to ensure they only buy from the best.

When measuring your vendors' risk, be sure to account for these six factors outlined by the vendor management experts at HICX Solutions:

1. **dependency** (the significance of their goods/services to your company)
2. **continuity** (operational failure risk)
3. **liability** (contractual risk)
4. **viability** (financial risk)
5. **scalability** (the vendor's ability to meet growing needs), and
6. **longevity** (relationship quality risk).

Info: [bit.ly/risk512](http://bit.ly/risk512)

## 2 time management tips you can start using today

It feels like there's never enough time in the day – especially when unexpected issues come up and pull you away from your normal work.

Here are two ways to make sure you don't miss a beat:

- **Give each task a deadline.** Instead of writing tasks on a to-do list, slot them on a calendar with a due date and time. That way, nothing gets lost or buried in a never-ending list of “when I can get to it” tasks.
- **Schedule two alerts for each task or meeting.** You can set one reminder for two hours prior to the deadline and another for five minutes before. If a task had slipped your mind, it's now front-of-mind again.

Info: [businessmanagementdaily.com](http://businessmanagementdaily.com)

## No invoice number! Be sure A/P knows how to handle it

A/P comes across its fair share of invoices lacking an invoice number.

Of course, your team should have a numbering system and style guide for

these situations, experts advise. There shouldn't just be an “unspoken rule” but concrete, written guidelines.

And try this fun exercise to reiterate style guidelines: Give your staffers a few fictional invoices without invoice numbers to format. Then share the results and find out if everyone formatted them the same way.

Info: Adapted in part from the A/P P2P Conference & Expo, Orlando, FL

## The forgotten aspect of a healthy work environment

Since the office is where A/P pros spend a good majority of their time, a satisfying work environment is key.

But too many companies overlook a crucial element of work culture, says Chuck Runyon, CEO of Anytime Fitness. And that aspect is play.

Creative team building is one way to incorporate some fun. Runyon recommends off-site activities such as volunteer or charity events to deepen connections between staff members.

If you can't escape the office, try leading some friendly competition, like trivia or games in the break room.

Info: [bit.ly/play512](http://bit.ly/play512)

## SOFTWARE SKILL BOOSTER

### Excel formatting shortcuts A/P can commit to memory

The quicker you can get those spreadsheets looking sharp, the better!

Check out four Excel keyboard shortcuts for formatting cells:

- **Ctrl + Shift + &:** add outline border
- **Ctrl + Shift+ \_:** remove outline border
- **Alt + H + H:** select a fill color, and
- **Alt + H + F + C:** select a font color.

Info: [bit.ly/excel512](http://bit.ly/excel512)

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

## PAYABLES NEWS

### ■ New IRS resource centers for gig economy, identify theft

Looking to boost your company's compliance and security measures?

IRS recently launched two new online resources:

- **The Gig Economy Center** has info on tax implications for companies providing services and individuals performing them, like filing rules, deductible business expenses and more ([bit.ly/lirsgig512](http://bit.ly/lirsgig512)).
- **Identity Theft Central** provides resources on identity theft and data security protection, including how to avoid phishing and online scams ([bit.ly/lirstheft512](http://bit.ly/lirstheft512)).

### ■ Louisiana issues awaited ruling on marketplace sales

This high-profile court decision offers new hope that you won't be on the hook for taxes of years past.

In *Normand v. Wal-Mart.com*, the Louisiana Supreme Court ruled that Wal-Mart wasn't obligated to collect sales taxes from third-party sellers that use its online marketplace. The court said a marketplace facilitator is a “nonparty” to the sale transaction, not a dealer, under state law.

The court said this case shows “the need for legislation to address the obligation of an online marketplace facilitator.” So, A/P should keep an eye out to see if and when more states add their own laws.

Info: [bit.ly/market512](http://bit.ly/market512)

### ■ Survey details toxic employee behavior in the office

Revenge is a dish best served ... in the workplace, apparently.

Almost half (44%) of people admit they've taken revenge on someone at work, found an Insurance Quotes survey. Most often, they acted because someone made them look bad (51%) or was rude/disrespectful (50%).

Remind staffers to be courteous (even in high-stress situations) to dissuade any vengeance in A/P.

Info: [bit.ly/revenge512](http://bit.ly/revenge512)

## Effective Policies & Procedures

# How to make unclaimed property compliance a companywide effort

■ *A/P at the helm, others at the ready*

Spring is fast approaching – and that means so are unclaimed property deadlines in many states.

But this spring's not just like any other. There's been an increase in auditors working on behalf of states to ferret out noncompliant companies, says expert Michelle Moloian.

For A/P, that makes reviewing and sharpening up your unclaimed property (UP) practices an urgent matter.

### 4 proven strategies

Check out four best practices from Moloian to encourage UP compliance this spring and in the future:

**1. Create more awareness.** Some employees don't know the severity of UP compliance. As A/P's leader, make it your job to "sensitize" people to it.

Explain the costly consequences for noncompliance, and remind people to look out for audit letters, invitations for voluntary disclosure programs and other state notices relating to UP.

**2. Expand your reach.** As with any big initiative, it's key to get leadership support. You should involve people

like your CFO, controller, internal legal counsel and others who oversee high-level risk issues, Moloian says.

It also helps to assign an "escheat coordinator" to work closely with other teams that have UP liabilities, such as A/R, Payroll and Benefits.

**3. Leave no stone unturned.** Often, auditors will try to find "hidden" UP that companies may overlook, like liabilities assumed in an acquisition and small-dollar write-off accounts.

To avoid unexpected finds, refresh A/P with a full list of potential UP ([unclaimed.org/reporting](http://unclaimed.org/reporting)).

**4. Develop a timeline.** Once you have all the right people involved and all liabilities accounted for, it's time to focus on meeting the deadlines.

Moloian recommends creating a "compliance calendar" with key process steps and due dates. This visual, which can be digitally shared, will help everyone stay on top of all the different reporting periods and due diligence mailing timelines that are pertinent to your company.

*Info: [bit.ly/unclaimed512](http://bit.ly/unclaimed512)*

evidence, since he was talking about hiring, not firing, employees. Kim's and Jared's failure to meet performance goals was a legitimate reason for termination, the court said.

### Analysis: Watch your wording

Jenn's company was fortunate that it had clear documentation and a valid reason for firing Kim and Jared.

But not all courts are so kind. Even one comment that shows bias could sink a company's ship, so managers and staffers alike must always be careful of how they word things.

*Based on Downey, Bonner v. Adloox Inc. Dramatized for 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.*

### Wrote 335 unauthorized checks to nab over \$80K

**Individual:** Annette Jones, former treasurer for a local union in Perry Point, MD.

**Violation:** After stealing more than \$82,000, Jones pleaded guilty to bank fraud.

**Penalty:** A judge sentenced her to serve 24 months in prison, plus three years of supervised release. She also must pay restitution.

**Note:** Jones used both check fraud and card fraud to steal from the union. She wrote 335 checks to herself (and forged co-workers' signatures on them), and she made personal purchases on a union-issued credit card on 20 different occasions. To hide her theft, she often wrote inaccurate information about the business purpose of the checks in the union's software program.

**Cite:** [bit.ly/jones512](http://bit.ly/jones512)

### Reimbursement scheme nets 60 days in prison

**Individual:** Laura Sartori, former employee at Oldenburg Group (now Lake Shore Systems) in Kingsford, MI.

**Violation:** Sartori pleaded no contest to embezzlement charges when her \$90,000 theft was uncovered.

**Penalty:** The judge handed down a 90-day sentence. Sartori will service the first 60 days in jail and the remaining 30 days through community service.

**Note:** For three years, Sartori tricked A/P into issuing her fraudulent expense reimbursements. For example, she'd book a hotel room, get a confirmation number and then cancel the room ... but still request reimbursement.

**Cite:** [bit.ly/sartori512](http://bit.ly/sartori512)

## Sharpen your judgment THE DECISION

(See case on Page 2)

Yes, Jenn's company won when the court said the ex-employees were rightfully fired for poor performance.

The ex-employees tried to argue that the CFO's email about wanting "young sharks" was evidence that age bias played a part in their firing.

Meanwhile, the company said Kim and Jared were solely fired because they had missed performance goals.

The court sided with the company and disregarded the CFO's email as

# Making Technology Work for You

## Top cybersecurity threats in 2020: Here are 5 A/P should watch for

### ■ New technology presents new vulnerabilities

You know cybercriminals never rest. They're always finding fresh ways to snag your secure information or trick you into wiring payments.

What types of risks should you be wary of this year?

To answer that, Trend Micro compiled a list of the top cybersecurity threat predictions for 2020.

### Staying a step ahead

Check out five of the top dangers that could impact A/P:

**1. A complex twist on phishing.** "Deepfakes," where scammers use AI-generated images, videos or audio for social engineering, will become more common, Trend Micro says.

For example, instead of sending a BEC email, scammers may use AI to impersonate the voice of your CEO.

**2. 5G networks.** Is your company using 5G? This technology is expected to present vulnerabilities, merely

because it's newer and people aren't as prepared for threats. And you can bet scammers will take advantage of that.

**3. Cloud platforms.** As cloud-based software (like most A/P solutions) becomes more widely implemented at companies, cloud-related breaches will continue to rise, Trend Micro predicts.

**4. Blockchain.** If your company's using this newer payment method, scammers may try to use it against you. With smart contracts, scammers can "formalize cryptocurrency payments and record them on the blockchain."

**5. Remote attacks.** Stay on guard if you have employees managing expenses on the go, managers approving invoices at home or staffers working remotely.

Since home and public spaces aren't as secure as corporate networks, scammers will look to create attacks using home and public networks by impersonating employees.

*Info: [bit.ly/cyberthreats512](https://bit.ly/cyberthreats512)*

## New Outlook features to boost your email game

### ■ Ways to work smarter, not harder

Managing your inbox can feel like a never-ending job – one that you'd like to simplify, if possible.

Fortunately, the latest version of Microsoft Outlook has a bunch of new features to improve email management, collaboration and productivity.

### 3 helpful tools

If your company hasn't updated to Outlook 2019 just yet, talk to IT. Then test out these key features:

**1. Mentions.** When you're part of a group email thread, it can be hard to dictate exactly what's expected of each person involved. With mentions, you can tag specific email contacts.

For example: *As soon as @Dave*

*sends us the P.O., I'll push the invoice to @Mary for approval.*

**2. Time zones.** Do you schedule phone calls with vendors or meetings with co-workers in other time zones?

There's a new feature that lets you show multiple time zones. And you can label them anything you want (e.g., a vendor name, an office branch).

**3. Read Aloud.** You have a million things to do, and poring over emails isn't at the top of the list.

With Read Aloud, you can plug in headphones and let Outlook do the work – much like an audio book – while you get other things done.

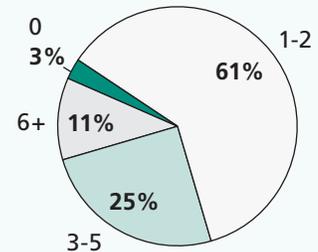
*Info: [bit.ly/outlook512](https://bit.ly/outlook512)*

## How do you stack up?

### Process, pay, repeat

How many people are involved in invoice processing for recurring payments?

*Note: Results were rounded.*



*Source: Corcentric, [corcentric.com](https://corcentric.com)*

Here's one payment type where you could consider cutting back on personnel to save time and energy. Many companies set up automated approvals for recurring purchases. Would it be possible for your team?

*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

### ■ And the certificate for 'Best Office Playlist' goes to ...

Hollywood's award season may be over, but yours could just be starting in Finance and Accounting.

Here are some hilarious office awards you can probably peg winners for in your department:

- The "Eternally Late" Award
- The "How Was Your Weekend?" Award
- The "Awkward Door Holder" Award
- The "Corporate Jargon" Award
- The "Always in a Meeting" Award, and
- The "Coffee Spiller" Award.

Think your team would get a kick out of these awards? You can download PDF certificates from SocialTalent at [bit.ly/award512](https://bit.ly/award512)

## 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.

### SERVICES

The taxability of services you pay for is rarely simple. Right now, two states have updates for A/P.

**TEXAS** – This one's for companies who buy security services in the Lone Star State.

The Texas Comptroller recently published a new tax publication on these services, including:

- taxable security services
- nontaxable security services
- reselling security services, and
- additional resources.

Check out the full publication at the link below.

*Info: [bit.ly/tx-512](http://bit.ly/tx-512)*

**UTAH** – Paying for services here? You may feel some whiplash, because their taxability is changing *again*.

We told you Utah passed a bill in December 2019 that eliminated certain sales and use tax exemptions and imposed tax on a bunch of services (see KAP 2/3/20 and KAP 2/17/20).

Then, on Jan. 29, 2020, the state passed another bill to repeal the first one. In other words, you don't have to worry about those previous sales and use tax changes.

We'll be sure to let you know if Utah switches things up again.

*Info: [bit.ly/ut-512](http://bit.ly/ut-512)*

### ADVERTISING

This year, A/P pros will see a new sales and use tax trend with states adding or broadening sales taxes for advertising.

**MULTIPLE STATES** – If your company buys or is in the business of advertising, lend an ear.

Four states have proposed legislation

to more broadly tax advertising services or advertising and data:

- **Maryland** wants to add a tax on gross revenues derived from digital advertising services ([bit.ly/md-512s](http://bit.ly/md-512s), [bit.ly/md-512h](http://bit.ly/md-512h)).
- **Nebraska** suggested expanding sales and use tax to include online advertisements ([bit.ly/ne-512](http://bit.ly/ne-512)).
- **New York** proposed a tax on the gross income corporations gain from the data individuals share with them, e.g., through advertising ([bit.ly/ny-512a](http://bit.ly/ny-512a), [bit.ly/ny-512s](http://bit.ly/ny-512s)).
- **South Dakota** is circulating a bill to make advertising services taxable ([bit.ly/sd-512](http://bit.ly/sd-512)).

Check out full details at the links above, and we'll keep you posted on these states' progress.

Of course, A/P pros elsewhere will want to stay sharp, too. It may not be long before other states join the trend.

### MACHINERY

Machinery, equipment and other tools are ripe for sales and use tax exemptions and changes. Two states have recent news.

**VIRGINIA** – Here's a reminder that how and when an item is used can determine its taxability.

Generally, in Virginia, tangible personal property is said to be "used" as of the date it is placed in service, and it's taxable.

But in a recent ruling, the state said that machinery for manufacturing can be seen as "intangible" if it isn't yet operational, making it exempt from Virginia's local machinery and tools (M&T) tax.

Even though the machinery was placed in service, it wasn't "producing products" yet, the state explained.

Takeaway: You may be able to get an exemption for machinery purchases that aren't immediately operational in a manufacturing process.

*Info: [bit.ly/va-512](http://bit.ly/va-512)*

**ARIZONA** – A/P pros who receive invoices for different types of fuel should take note of the case Arizona recently addressed.

A vendor sold dyed diesel fuel to a mining company to power its bulldozers, loaders, trucks, etc. The vendor wanted to determine whether its sales of the fuel were taxable.

Machinery or equipment used in mining and processing operations is typically exempt in Arizona. But the court said the fuel didn't quite qualify as "machinery or equipment," so it was taxable.

The court *did* point out that Arizona has other exemptions for fuel – but this specific kind of fuel didn't qualify for any of those exemptions, either.

*Info: [bit.ly/az-512](http://bit.ly/az-512)*

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