



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.

April 15, 2020

WHAT'S INSIDE

- 2 Sharpen Your Judgment**
A/P clerk deposits forged checks: Was bank negligent?
- 3 Networking with Other A/P Pros**
Brushing up on policies improved compliance
- 5 Payables News**
New 1099 platform: IRS wants your suggestions
- 7 Making Technology Work for You**
4 in 10 are password repeaters: Latest security tips from IRS
- 8 Sales and Use Tax Update**
The latest on tech fees, transportation and more

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.

How to keep A/P operations running amid COVID-19

■ 4 top concerns for your department now

An international pandemic's turned the world upside down, and A/P pros everywhere are feeling its impact.

The coronavirus (COVID-19) has been declared not only a pandemic but a U.S. national emergency. It's forced people – and businesses – to re-evaluate how they operate on a daily basis.

No doubt, your company's had to act quickly but rationally – rethinking policies, adjusting work processes and grappling with uncertainty.

And to keep operations running, A/P's role has become more important than ever.

There are still invoices to process,

bills to pay, expenses to reimburse and queries to answer.

But how are you supposed to carry out your “normal” operations when things are anything but normal?

Check out four critical areas A/P should focus on to keep operations running as smoothly as possible:

1. Staff conditions

To continually meet the needs of both internal and external customers, you first need to ensure your A/P staff is well equipped to do so.

If your company's like most, it's

(Please see COVID-19 ... on Page 2)

IRS proposes new regs for certain business expenses

■ How to deduct meals, entertainment

Let your CFO and Finance know: There's more clarity coming on meal and entertainment expenses.

Specifically, IRS has proposed new rules for deducting those costs.

You know the Tax Cuts & Jobs Act got rid of deductions for entertainment expenses, but it was unclear whether that included meals, too.

In response, IRS issued a notice (bit.ly/n2018-76) saying companies can generally still deduct 50% of food or drink expenses. Of course, there's still no deduction allowed for an expense unless:

1. it's reasonable (not lavish), and
2. the company or employee is present when the food or drink is furnished.

These proposed regs would set that notice's guidance in stone.

Do your part to help

Now that IRS is finalizing regs to make it clear that there are some purchases your company will be able to take a deduction on, A/P is in the perfect position to flag the ones that come across and fit that bill.

Info: bit.ly/irsrules514

Dealing with Disruption

COVID-19 ...

(continued from Page 1)

advised employees who can work from home to do just that.

We know many A/P departments use telecommuting as a perk for their staff, so you may already have clear remote work requirements outlined.

If your team's less familiar with working from home, make sure they know exactly what's expected.

For example, do staffers have all the necessary access, connectivity (Internet) and equipment (scanner, printer) they need? Must they stick to normal business hours? Should they use specific digital tools/platforms to communicate with your team? What technologies are they permitted to use?

Which brings us to ...

2. Fraud concerns

Working at home spurs more fraud threats. As mentioned recently, remote work is one of the top cybersecurity threats in 2020, since homes and public places aren't as secure as corporate networks (see KAP 3/16/20).

Scammers know that lots of people are working from home right now and are already devising scams to obtain private data and money. In fact, they're using the coronavirus specifically as an email hook to get people to click (e.g., links promising updates and stats).

So, remind your staff to stay especially alert on the tech front.

3. Vendor management

Looking at business more broadly, you can see that the coronavirus pandemic is having a huge impact on companies' productivity, revenue and supply chain. Most are trying to maintain operations while protecting employees and customers.

That's why it's critical for A/P to know how your vendors are faring, if their normal ops are changing and how Purchase-to-Pay (P2P) might be affected or interrupted.

Also, talk to your CFO about the current strategy for paying vendors, as your company may want A/P to focus more on payment timing to be strategic with cash flow.

4. Employee communications

Along with staffers and vendors, there are other employees (e.g., your CFO, purchasers) who you may have to make a little extra effort to stay in the loop with right now.

You could suggest scheduling routine conference calls to offer status updates and discuss potential problems.

And P2P aside, you'll also want to keep communication open on the T&E front. You know the pandemic is having major effects on business travel – and A/P should be involved in working through it (see related story on Page 4).

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.

■ A/P clerk deposits forged checks: Was bank negligent?

"I still can't believe this whole situation," A/P Manager Jenn Smith said, sitting with CFO Jeff Rizzo.

"I know," Jeff replied. "Barb, an A/P clerk who we trusted, writing herself checks with forged signatures and depositing them at her bank."

"I'm ashamed it got by us for so long," Jenn admitted. "But how did her bank not notice either?"

"That's what I said," Jeff replied. "If someone was suddenly depositing dozens of checks worth thousands of dollars, wouldn't that cause alarm?"

Didn't get suspicious

Jeff tapped his chin. "You know, a law about employee fraud says it's usually on the employer, not the bank that accepts the checks ... unless the bank was negligent."

"Do you think we can prove the bank was negligent?" Jenn asked.

Jeff nodded. "I'd say it failed to act with ordinary care – you know, inspecting and making a reasonable inquiry about Barb's checks.

"Her activity was so extreme, it should've triggered some sort of reaction from the bank," Jeff added.

"It does seem odd the bank didn't act at all," Jenn said. "But it might say it doesn't owe us a duty of care, since we're not a customer."

"Yeah, but just because we're not a direct customer doesn't mean the bank doesn't have to look out for fraud," Jeff replied plainly.

Jenn's company sued the bank for negligence, saying it failed to act with ordinary care.

Did the company win?

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



Keep up to date on
ACCOUNTS PAYABLE™

EDITOR-IN-CHIEF: ALYSSA EVANS

aevans@pbp.com

MANAGING EDITOR: JENN AZARA

PRODUCTION EDITOR: AMY JACOBY

EDITORIAL DIRECTOR: CURT BROWN

Keep Up to Date on Accounts Payable (ISSN 1098-0202), Issue date April 15, 2020, Vol. 23 No. 514, is published semi-monthly, except once in December (23 times a year).

Subscription: 800-220-5000

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting or other professional services. If legal or other expert assistance is required, the services of a competent professional should be sought. — From a declaration of principles jointly adopted by a committee of the American Bar Association and a committee of publishers.

Copyright © 2020 CFO | Daily News. Please respect our copyright: Reproduction of this material is prohibited without prior permission. All rights reserved in all countries.

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 **Brushing up on policies improved compliance**

Recently, we noticed that some of our employees were making errors when submitting paperwork for expenses and p-card reconciliation.

We know that for many employees, administrative work isn't their favorite part of the job. But things had started slipping by and paperwork was getting a little too sloppy.

In turn, deadlines were missed, and we had to send reminders and track people down. That was costing us a lot of time and further holding up payments to vendors.

A/P compliance needed to become a priority again.

Come one, come all

We realized that it'd been a while since everyone got together and talked about the policies, procedures and deadlines associated with A/P.

It was time for a refresher course to reiterate rules and responsibilities.

So, we set up in the company training room with a PowerPoint presentation to go over things like:

- A/P best practices
- what types of receipts are acceptable

- how to submit reconciliations, and
- all of our upcoming deadlines.

We also reminded employees about the training that was available through our accounting software, so they had a resource to turn to aside from us.

This quick meeting did the trick to refresh everyone on the key practices and due dates that are easy to forget amid the usual hustle and bustle.

After, employees shaped up with policy and deadline compliance.

(Tammy Prater, Accountant, Little Blue Valley Sewer District, Independence, MO)

IMPROVING YOUR OWN A/P PROCESS

2 **This spurred vendors to finally go for ACH**

Because Automated Clearinghouse (ACH) payments are faster and more secure, our A/P department wanted to convert as many vendors as possible over to them.

Of course, there are some common tactics companies use to try to switch vendors over to ACH, like sending an email blast or calling vendors directly to discuss the option.

But we found those outreach tactics didn't always garner a lot of interest and replies.

They created an awareness, but there was no real incentive or sense of urgency for vendors.

Switch or pay up!

So, our A/P department came up with a new ACH initiative.

We wrote up a short memo, printed on cardstock, that got mailed to vendors with every paper check.

It said, "Effective [date], we're going to start charging a 4% processing fee for checks."

Below that, we added that they

were welcome to switch to ACH. To make it easy, we provided all the forms and details they needed

to get started.

We knew this memo went right to each vendor's A/R team – and they wouldn't want to pay an extra fee.

As a result, we got great reception. Vendors were ready to switch to ACH.

And the kicker? We never even had to roll out that 4% processing fee!

(Christie Russey, A/P and Credit Card Manager, Chenega Corp., Anchorage, AK)

3 **How we find strengths, weaknesses in A/P**

While there are certain skills that are important for everyone in A/P to have, no two staffers are alike.

Some are tech wizards; others are customer service superstars. Some are idealistic; others are more realistic. They all have things they excel at and things they need to work on.

We wanted to be able to point out weaknesses, so staffers could learn and grow. But we didn't want to come off too harsh.

That's why, instead of approaching it subjectively, we decided to try a more scientific standpoint.

Try this test

We looked at methodologies like Whole Brain Thinking and The GC Index, which show different ways that people think and learn.

For example, Whole Brain Thinking outlines four quadrants: Analytical, Experimental, Practical and Relational.

We had staffers do assessments to find out which category they fell into.

And surprisingly, they loved it!

They didn't take offense. They liked the self-awareness and being able to identify strengths and weaknesses.

It was a great way to relay things they needed to work on without bluntly saying, "You're too X," or "You need to improve on Y."

Staffers can see for themselves and are eager to develop their skills.

(Ernie Humphrey, CEO & Founder, 360 Thought Leadership Consulting, as presented at the A/P P2P Conference & Expo, Las Vegas)

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.

BIZ TRAVEL DISRUPTION

A/P must expect the unexpected – like disruptions in business travel that impact your T&E process.

Making headlines and causing concern now is the coronavirus (see related story on Page 1). Its outbreak has threatened the whole business travel industry, according to the Global Business Travel Association (GBTA).

Normal operations interrupted

How are companies being affected? A survey conducted in late February from GBTA found:

- 65% of companies have canceled at least a few meetings or events
- 66% have postponed a least a few meetings or events, and
- 54% that canceled or suspended travel are unsure of when they think it will resume. (Another 31% said within three months and 14% said within six months.)

No doubt, all these cancellations, postponements and uncertainties are hurting your company's revenue.

And those that manage business travel, like A/P, are scrambling to

figure out how to keep employees safe and processes functioning.

That's typically done through companywide communication and policy change. The survey revealed that 43% of companies have added new trip approval procedures, and 51% have amended travel safety and security features.

Proceeding with caution

Your A/P department has felt the effects of coronavirus on business travel – and likely will continue to in the coming months.

It's key to regularly meet with leadership to discuss how your T&E policies and practices should be modified as the situation develops.

You may consider things like:

- how to handle expenses already incurred (e.g., booked flights, prepaid conferences)
- how to inform employees about changes and address concerns, and
- other initiatives to protect travelers and mitigate financial loss.

Info: bit.ly/coronavirus514

TEST YOUR KNOWLEDGE

Good or great: How well do you know Form W-8?

Managing W-9s is tricky, but handling W-8s for foreign vendors can be even more challenging.

Answer the following questions to see how well you know IRS's Form W-8:

1. How many different Forms W-8 are there?
 - a) four
 - b) five, or
 - c) six.
2. W-8s are effective from the year they are signed by the vendor through the following:
 - a) three calendar years
 - b) five calendar years, or
 - c) seven calendar years.
3. For W-8 vendors, the current statutory rate for withholding is:
 - a) 24%
 - b) 25%, or
 - c) 30%.

ANSWERS

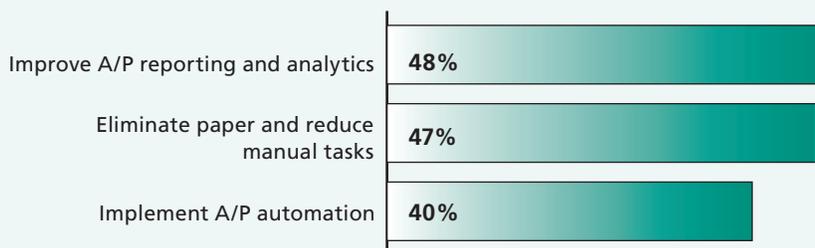
- Answers to the quiz:
1. b) five. The different types are W-8 BEN, W-8 BEN-E, W-8 ECI, W-8 EXP and W-8 IMY. Which form you must request depends on (1) whether the payee is an individual or a business and (2) the nature of the income the payee received from A/P.
 2. a) three calendar years. Forms W-8 are valid for the calendar year they were signed, plus the next three years. For example, if a foreign vendor signed a W-8 on Sept. 10, 2019, it would be valid through Dec. 31, 2022.
 3. c) 30%. But IRS clarifies that a reduced rate may apply if there's a tax treaty between the U.S. and the foreign payee's country.

Cite: irs.gov/pub/irs-pdf/p515.pdf, bit.ly/w-8514

Turning plans into actions

What are A/P's current plans and priorities?

Note: Respondents could choose more than one.



Source: Ardent Partners, ardentpartners.com

Fortunately, A/P's top three priorities all go hand in hand. With more automation [check], you can spend less time on manual tasks [check] and more time on strategic work, like reporting and analytics [check]. Plus, data analytics tools and features are typically included in A/P automated solutions.

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.

Put this in your A/P manual to avoid process hiccups

Maintaining a current, concise A/P manual ensures people have clear directions to carry out your processes.

But even if staffers and employees follow directions to a T, they may still encounter unforeseen problems.

That's why it's beneficial to end each process description with a "troubleshooting" section. It can include a few problem scenarios, plus details on how to solve it or who they should turn to for help.

Example: If your manual outlines the invoice process, the troubleshooting section could have steps to take if an invoice is missing a key detail.

Info: businessmanagementdaily.com

A more professional way to say 'That's not my job'

When employees are struggling to complete a task or don't feel like dealing with a problem, they may try to push it off on A/P.

"Can you handle that P.O. issue?"

"Could you produce that report?"

But you're busy, too. What you really want to reply with is, "That's your job, not mine!"

Instead, say, "I'd like to help out, but I don't have the ability to right now."

Or, if you think you'll have time to lend a hand later, say, "I can help you out within [timeframe]."

Info: bit.ly/notmyjob514

What it really means to have a payment strategy

One key way to optimize A/P is to develop a detailed payment strategy, says Tana Law of InvoicePay.

And what qualifies as a "good" payment strategy will vary, depending on the company and industry. It's crucial to analyze your own operations

closely to figure out what works best.

Also: If you find you typically only pay with one method, like ACH, you could be losing out, Law adds. For example, with a one-time purchase, a virtual card may be the better choice.

Info: As presented at the A/P P2P Conference & Expo, Las Vegas

For max productivity, when should you take a break?

You probably take a break when (and if) you can find time in A/P.

But to perform at your best, you should take breaks – and frequently, says a Draugiem Group study.

It found that employees who took periodic breaks were more productive than their co-workers. The optimal work pattern, per the research, was 52 minutes of totally focused work time, then a 17-minute break.

So, try frequent, small breaks and see how it affects A/P's output.

Info: bit.ly/breaks514

SOFTWARE SKILL BOOSTER

The 10-20-30 rule for successful presentations

PowerPoint's a great tool for training on policies, sharing A/P data, pitching ideas to leadership and more.

How can you keep your slideshow concise while still getting your main points across? Use the 10-20-30 rule from venture capitalist Guy Kawasaki:

- 10 slides
- 20 minutes, and
- 30-point font size (so you're not squashing in too much text).

This rule may not work every time, but it's a good outline to keep in mind.

Info: bit.ly/present514

If you have a story idea or comment to share, contact the editor at aevans@cfodailynews.com

PAYABLES NEWS

■ New 1099 platform: IRS wants your suggestions

The Taxman is looking for A/P's help in making 1099 filing easier.

We mentioned before that IRS is creating a platform, similar to the SSA's Business Services Online (BSO), to help you prepare and file 1099s (see KAP 8/1/19).

In a recent industry call, IRS posed two questions for A/P pros:

- Is there anything you'd like us to consider for the e-filing of 1099s?
- Is there anything you like or don't like about the SSA's BSO for e-filing of W-2s?

IRS encouraged anyone who'd like to share comments or suggestions to send an email to tfao@irs.gov

■ Latest sales tax report has good and bad news for A/P

A slight shift occurred with sales and use tax rates this past year.

The pro: A/P saw fewer sales tax rates changes in 2019 (560) compared to 2018 (622) and 2017 (724).

The con: Combined sales tax rates were higher overall in 2019 (10.1%) versus 2018 (10.07%) and 2017 (10%).

That's all according to Vertex's annual End-of-Year Tax Rate report. It also includes statistics by state, county, city and district from 2010-2019. See it all below.

Info: bit.ly/taxreport514

■ A different payment strategy for gig economy workers

How can your independent contractor (IC) relationships help turn A/P into a profit center?

Many gig economy workers live paycheck to paycheck and like the idea of advanced pay. And about 65% of them said they'd be willing to pay fees for advanced pay, per a report from PYMNTS and Mastercard.

Talk to your CFO about whether this sort of arrangement could be possible for your most frequently used and trusted ICs.

Info: bit.ly/gigeco514

Need to have a ‘tough talk’ with an employee? 4 proven strategies

■ *It's not always easy, but it's worth it*

No one enjoys facilitating “tough talks.” But in order to quash bad behaviors and improve processes, they’re sometimes necessary.

Maybe you have an A/P staffer who skips a key process step. It could be a purchaser who causes tension with a top vendor. Perhaps there’s a traveler who routinely exceeds spend limits.

It’s time for a serious conversation. Do you know how to handle it?

Take a page from these leaders

To successfully steer a difficult talk with another employee, try these strategies that top business leaders shared with *Forbes*:

1. Keep it real. Sugarcoating leads to a lack of clarity and robs the employee of the chance to improve.

Be straightforward. Tell them what didn’t work, *why* it didn’t work and what you’d like them to do differently, says leadership expert Aaron Levy.

And before you part ways, be sure that you’re on the same page about how things should be going forward.

2. Focus on the team. Sometimes,

personal investment or feelings may seep into your message. Instead, focus on the betterment of your team or company as a whole, advises career coach Erin Urban.

When making an action plan, let the employee collaborate with you, once again instilling that team mentality.

3. Show sympathy. People can forget that managers and leaders are still human. That’s why professional speaker Darcy Eikenberg leads tough talks with her human side.

Simply asking something like, “I noticed [problem]. Are you doing OK?” can help the employee feel free to open up, so you get to the real reason behind the issue.

4. Be mindful of energy. The words you say matter, but so does how you deliver them. Energy is everything, says psychology expert Stella Grizont.

You could speak the most helpful, constructive words in the world. But if you come off angry or upset, that may be all the employee notices. Emotions are contagious, so be aware of yours during these conversations.

Info: bit.ly/toughtalks514

checks with forged signatures would make it an “insurer” for noncustomers with employees who commit fraud.

Though the fraud was unfortunate, the bank wasn’t negligent under law.

Analysis: Up your own defense

If fraud occurs, companies can often recover damages or losses based on where the blame lies. But not always.

That’s why A/P must have controls and auditing practices in place to sniff out fraudulent activity *before* it gets too far, like it did in this case.

Based on EngineAir Inc. and JMA Rail Products Inc. v. Centra Credit Union. 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.

A/P clerk charged with misappropriating \$302K

Individual: Grant Devillez, former A/P clerk at Decor Craft Inc. in Providence, RI.

Violation: Devillez was charged with 10 counts of wire fraud, having allegedly misappropriated \$302,000.

Penalty: A verdict will come at a later time. For wire fraud, Devillez could serve prison time.

Note: In A/P, Devillez was tasked with sending wire transfers after payments had been approved by the company’s owner. Instead of following protocol, he allegedly made partial or no payments to vendors and transferred funds to his own accounts. Then he adjusted the company’s records so that it looked like vendors had been appropriately paid.

Cite: bit.ly/devillez514

Behind bars for abusing company credit card

Individual: Ilaine Newby, former comptroller at a company in Smyrna, TN.

Violation: After embezzling more than \$206,000 from her company, Newby pleaded guilty to three counts of wire fraud.

Penalty: She was sentenced to serve 12 months and one day in prison, followed by six months of home confinement. She also must pay restitution.

Note: Newby’s duties included managing A/P and A/R, as well as overseeing company credit cards and bank accounts. For several years, she used company cards and bank accounts to pay for personal expenses, like a new car and college tuition.

Cite: bit.ly/newby514

Sharpen your judgment THE DECISION

(See case on Page 2)

No, Jenn’s company lost when a trial court and an appeals court both dismissed the claim.

The company argued the A/P clerk’s frequent high-dollar deposits should’ve raised red flags. The bank had a duty to inquire about suspicious activity.

Meanwhile, the bank said it didn’t owe a duty of care to a noncustomer.

And the court agreed. Banks should always look for fraud, but imposing a duty of care on the bank to monitor

Making Technology Work for You

4 in 10 are password repeaters: Latest security tips from IRS

■ Making smart moves amid growing cyberthreats

Sensitive A/P data is only as secure as its weakest password.

And though you may have good password habits, you may not be able to say the same for your whole staff.

Are they creating strong passwords and using other security measures? Or are they repeating the same weak phrases time and again, leaving A/P exposed to cyberthreats?

Research says ...

When managing their passwords, people have varying practices, found a new report from Proofpoint:

- 23% use a password manager
 - 32% manually enter a unique password for each login
 - 29% rotate between several passwords, and
 - 16% use the same one or two passwords for everything.
- In other words, almost half (45%)

of people surveyed are regularly reusing passwords.

You'll want to verify that bad habit isn't being practiced in A/P.

Advice from IRS

Because password protection is so essential with current cyberthreats, IRS recently posted guidance.

Here are some quick tips from the Service to share with your A/P staff:

- Use at least eight characters (longer than that is even better).
- Instead of using personal info or common words, use phrases.
- Change passwords fully, don't just change a character or two (e.g., from *example!7* to *example!8*).
- When possible, use a secure password manager.

Info: See more tips from IRS at bit.ly/irsPASS514, view the Proofpoint report at bit.ly/proof514

2 tactics to retain your leading zeros in Excel

■ Avoid errors due to automatic formatting

When a sequence of numbers starts with zero, Excel automatically wants to remove it.

As soon as you click outside the cell, your entry of *04593* instantly becomes *4593*.

But sometimes that can do more harm than good if you need those zeros to stay put!

Data entry do's

To keep leading zeros where they belong, try these two tactics:

If it's text, like an invoice number, you can simply add a single quote mark before it (e.g., *'04593*) to tell Excel to keep the zero. When you click outside the cell, the quote mark will

go away, so it appears as *04593*.

If it's a numeric value that may be used in calculations, follow these steps:

1. Select the cell (or range of cells).
2. Right-click your cell(s), then click *Format Cells...*
3. Click the *Number* tab, then select *Custom* from the list.
4. In the Type: field, enter the number of zeros in your largest value. (For example, if your biggest number is *531024*, you would type six zeros.)
5. Click *OK*.

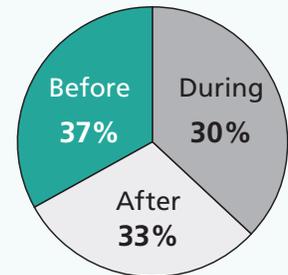
Excel will display leading zeros, making all the values you selected six digits (e.g., *8991* would be *008991*).

Info: bit.ly/zeros514

How do you stack up?

A suitcase ... and a stress case

Travelers, which phase of a business trip is the most stressful?



Source: Concur, concur.com

A third of travelers say post-trip – aka, expense reporting – is the worst part of travel. Keep in mind that a quick reimbursement cycle could help lower their stress and, as a result, increase their compliance with A/P.

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

■ Even small errors are no match for this man!

It's not uncommon for you to see sales tax incorrectly applied to purchases. But A/P's not the only one being vigilant for errors.

David Ho of Orange County, CA, recently made the news for catching a small sales tax error on the price of his rental car. The company had applied a 9.25% sales tax – but Ho knew the correct rate was 7.75%.

Though Ho will only get 52 cents refunded for the overcharge, he made the company realize it'd been overcharging other customers, who will all get refunds, too.

If only Ho was looking for a job in A/P, because you could certainly use that kind of attentive eye on your staff!

Info: bit.ly/taxerror514

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.

TECH FEES

The taxability of a purchase is one thing – but what about the fees tacked on to it? Here's the latest news.

MULTIPLE STATES – If you still pay fees for Internet access in some states, you won't for much longer.

The Internet Tax Freedom Act is enforcing an exemption for Internet access fees, effective July 1, 2020.

Most states have already exempted Internet access fees. But some states still currently impose those types of fees, including:

- Hawaii
- New Mexico
- Ohio
- South Dakota
- Texas, and
- Wisconsin.

Those states must exempt fees from state and local tax starting this July.

Info: bit.ly/int-514

MASSACHUSETTS – Does your company use remote access computer software? Check out this recent case.

A vendor sold subscription fees for online products that gave customers remote access to others' computers (e.g., GoToMeeting). It said the fees weren't taxable transfers of tangible personal property (TPP) because:

1. It didn't involve transfer of title or possession to users, and
2. The "true object" of the sale was a remote connection service, not TPP.

But the state disagreed. To counter both of the vendor's points, it said:

1. The definition of "TPP" includes transfers of computer software, and
2. Customers mainly paid to access software rather than support services (e.g., troubleshooting).

The "true object" was access to software, not a professional service.

The state concluded that the subscription fees were taxable TPP, not nontaxable services.

Info: bit.ly/ma-514

TRANSPORTATION

With employees on the move and items out for delivery, transportation costs can climb fast. Two states have sales and use tax updates.

CALIFORNIA – Good news if your company uses interstate trucks.

The Golden State has expanded its interstate commercial truck exemption.

Previously, the exemption was only available to new or re-manufactured trailers or semi-trailers. Now, it includes certain new, used or re-manufactured trucks used out of state or in interstate or foreign commerce as well.

Note: This change is only set from Jan. 1, 2020 through Jan. 1, 2024.

Info: bit.ly/ca2-514

TEXAS – This one's for companies who buy off-highway vehicles (OHVs).

Most OHVs (e.g., utility vehicles, all-terrain vehicles) are taxable. And if they were purchased out of state, A/P owes Texas use tax.

The state posted a notice that says as of March 1, 2020, you must have proof you paid use tax on any OHVs bought remotely for use in Texas in order to title vehicles with a county tax assessor-collector (CTAC).

Also: OHVs used in agricultural or timber operations are exempt. You must give your Ag/Timber registration number to a CTAC to claim the exemption.

See full details at the link below.

Info: bit.ly/tx2-514

RATE CHANGES

A new quarter often brings new local tax rates for A/P, and the second quarter of 2020 is no exception.

MULTIPLE STATES – Will any new tax rate changes affect your company's purchases?

On April 1, 2020, local sales and use tax rate changes took effect in:

- Arkansas (bit.ly/ar-514)
- California (bit.ly/ca-514)
- Kansas (bit.ly/ks-514)
- Missouri (bit.ly/mo-514)
- Nebraska (bit.ly/ne-514)
- North Dakota (bit.ly/nd-514)
- Ohio (bit.ly/oh-514)
- Texas (bit.ly/tx-514)
- Utah (bit.ly/ut-514), and
- Washington (bit.ly/wa-514).

Visit any of the links above for full details from the state.

FROM OUR SUBSCRIBERS

Over 90% of our readers say that *Keep Up to Date on Accounts Payable (KAP)*, with its quick-read format, is more valuable than any other publication they read.

"K *Keep Up to Date on Accounts Payable* makes it easy for us to understand the information and relate it to our processes. In some cases, it even helps us come up with better ways to do things."

Kelly Sanville
A/P Supervisor
Philips Lifeline

"The newsletter's sales tax and 1099 info is very useful."

Rachel Welt
Assistant Controller
Egan Co.