



# 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.

August 3, 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.

## IRS overhauls 1099s: Key details to stay compliant

### ■ How year-end will look different for A/P

It's here! IRS has officially unveiled the new Form 1099-NEC, which A/P will use to report nonemployee compensation.

In a new tax tip (*see related story on Page 5*), the Service explained the reinstated 1099-NEC will be used in tax year 2020 to report any payment of \$600 or more to payees.

There's also a new page on IRS's website for 1099-NEC that includes both the tax form and its instructions ([irs.gov/forms-pubs/about-form-1099-nec](https://irs.gov/forms-pubs/about-form-1099-nec)).

Generally speaking, the deadline for 1099-NEC will be Jan. 31 each year.

But because of how the calendar falls this go-round, the deadline will be Feb. 1, 2021.

Of course, due to the reinstatement of this form, the classic 1099-MISC will also have to change.

Here's a rundown for A/P of what to expect from both forms, according to the finance experts at the American Payroll Association (APA):

### The new 1099-NEC

When reporting on the reinstated form, A/P will need to include information in several boxes:

*(Please see 1099s ... on Page 2)*

### Ouch! A/P felt the pain of business disruption

#### ■ Many companies couldn't effectively make payments from home

The coronavirus pandemic has shown your staff that having a business continuity plan is essential.

And recent insight from your peers fully supports that notion.

Only 54% of companies said they'd be able to make all payments with staffers working at home, and 12% said they wouldn't be able to make *any* payments from home.

What's more, 41% said at least some payments would be late if their staff was working from home, and 12% said *all* payments would be late.

Those are the findings of a survey from AvidxChange.

### Learn from the past

These survey results prove that as the dust settles and things shift to more "normal" operations, A/P can't just return to the way things were.

It'll be important to discuss your continuity plan – what worked, what didn't, what can be improved upon.

That way, if any more disruptions or emergencies arise, you'll be ready.

**Info:** [bit.ly/bizcont521](https://bit.ly/bizcont521)

## 1099s ...

(continued from Page 1)

- **Box 1:** Nonemployee compensation. (APA notes this includes NEC and NQDC – nonqualified deferred compensation – that doesn't meet the requirements of IRC Section 409A.)
- **Box 4:** Federal income tax withheld (i.e., backup withholding).
- **Boxes 5-7:** State income tax reporting.

The new 1099-NEC also has two notable checkboxes that read:

- **FATCA filing requirement:** A/P can show it's reporting payments subject to the Foreign Account Tax Compliance Act.
- **2nd TIN not:** You can indicate IRS notified you twice within three years that the vendor provided an incorrect TIN.

For more, your A/P department can view the new form ([irs.gov/pub/irs-pdf/f1099nec.pdf](https://irs.gov/pub/irs-pdf/f1099nec.pdf)) and the new instructions ([irs.gov/instructions/i1099msc](https://irs.gov/instructions/i1099msc)).

### The revised 1099-MISC

With nonemployee compensation now being reported on a separate form, you can expect the 1099-MISC to look a little different.

Here are some of the boxes that have been amended as a result:

- **Payer made direct sales of \$5,000 or more of consumer productions to a buyer (recipient) for resale** is now listed in Box 7 (previously used for nonemployee compensation).
- **Crop insurance proceeds** are now in Box 9 (previously in Box 10).
- **Gross proceeds paid to an attorney** are now in Box 10 (previously in Box 14).
- **Section 409A deferrals** are in Box 12 (previously in Box 15a).
- **Section 409A income** was deleted entirely (previously in Box 15b).
- **NQDC that doesn't meet the requirements of IRC Section 409A** is now in Box 14.
- **State tax reporting** is now accounted for in Boxes 15-17.

### Start preparing

Though next year-end may seem like a long way off, you know the more prepared your company is, the better. And that's especially true when there are big changes to your process, like new information returns.

So, take some time to go over the new 1099-NEC and the revised 1099-MISC with your A/P staff.

It could also be beneficial to alert anyone else involved with your NEC payments and year-end processes about the changes.

**Info:** APA Magazine, *IRS Reinstates Form 1099-NEC, Revises Form 1099-MISC*

## 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.*

### ■ How much detail is needed for biz travel expenses?

"Happy Friday," A/P Manager Jenn Smith said, clinking coffee cups with her friend and fellow finance pro, Hailey Weston, as they sat at an outdoor cafe after work.

"Thank goodness," Hailey sighed. "I've had quite the week."

"Oh?" Jenn said.

"It's our CEO." Hailey leaned in. "IRS notified him that he owes thousands of dollars in income taxes for things that he listed as business travel expenses."

Jenn frowned. "How? Why?"

### Travel log lost

"Our CEO keeps a log of the days he travels to our other property," Hailey began. "He uses the log to prepare a summary for IRS. So, for example, one year's summary showed he traveled 161 days – 47 round trips to our property."

"Makes sense ... " Jenn said.

"Well, the problem is, a building was vandalized and the CEO's log was stolen. So, all he had was his summary. And IRS said that wasn't enough proof of his business traveling expenses."

Jenn bit her tongue, thinking this is why *her* company used electronic records and backed files up. "That's tough. IRS does like detailed proof."

"But our CEO always goes to the same property, and he's very credible." Hailey sighed. "I don't think this is right."

The CEO challenged IRS, saying his summary was enough to get a deduction for his travel expenses.

Did the CEO convince the court?

- *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 How Excel templates boost our efficiency

In Finance, there are few technology tools as functional and flexible as Microsoft Excel.

Like many other professionals, we use it whenever we can – for all sorts of data and information, like keeping track of taxes.

But we had a problem: By default, Excel's basic spreadsheet isn't the most user-friendly.

Sure, Excel has a lot of power under its hood, but getting it to really use that power can take a bit of coaxing, especially when we've just

opened up a new spreadsheet.

We were spending a ton of time formatting cells and data – and that was a step we wanted to cut out of our process.

### Fit to our needs

So, we took a really good look at the Excel workbooks we had and assessed how, when and what we chiefly use Excel for.

We realized there were basically two different layouts that we used time and time again in Finance.

Afterward, we created two new Excel templates

based on these layouts.

For example, in one template, we made sure each template had all the cells alternating between gray and white backgrounds, which makes it easier for us to read.

Depending on what kind of Excel sheet we need, we can now just pull up whichever template works better for that purpose.

It's saved us a great deal of time and made us more efficient.

*(Rebecca Kay Taube-Schnitzer, Shared Services and Tax Specialist, company name withheld by request)*

## IMPROVING YOUR OWN A/P PROCESS

## 2 Changing how others regard ethics, fraud

My company had recently brought on a new president who wanted to dedicate a full day to training everyone more on ethics and fraud.

This training was spearheaded by the president, VPs and other high-up leaders. And it was a good, well put together training session.

But after the training, one of our VPs basically said, in both words and actions, "That was a giant waste of time."

And that VP's negative opinion trickled down to the employees he oversaw in the business and finance division.

Their approach to ethics and fraud was indifference. They didn't care.

### Top-down approach

I knew I had to step in – especially because business and finance is where the most corporate fraud occurs.

So, I approached the president who had proposed the training, since I knew how important it was to him.

I told him that we had to train again, and we had to change the culture from the top down.

The lesson our company learned: Culture will always trump the code.

It doesn't matter what your company has in writing, or what the posters hanging up say, if it's not reflected in everyone's actions.

That's what we focus on now.

*(Allan Bachman, Anti-Fraud Consultant & Trainer, as presented at the A/P P2P Conference & Expo, Orlando, FL)*

## 3 We offer ample tactics for staff development

Building a great team is essential to the success of an A/P function. But once that team is in place, we can't forget to nourish it.

To retain and attract good people, development and progression needed to be continuous. We wanted to show our staff how much we valued them.

### Skills courses, programs

To do that, we decided to focus on nurturing certain skills for A/P, like:

- presentation skills to get more comfortable speaking with groups
  - customer service skills, since every interaction internal or external is with a customer, and
  - communication skills to build confidence and talk eloquently.
- We're also constantly trying new programs and courses, such as:
- bringing new finance tasks to A/P (e.g., cashbook reconciliation and managing direct debits)
  - work shadowing with other areas of the finance function
  - personal development plans with tailored tasks (e.g., creating process documentation, developing and delivering training), and
  - system developments (if systems are being changed or upgraded, team members can be intensive testers to better understand systems and be involved in improvements).
- With these various skills courses and programs, our team keeps learning, so A/P keeps getting better.

*(Samantha Ryan, A/P Specialist, IPL Ltd., West Yorkshire, UK)*

# 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.

## OUT-OF-POLICY EXPENSES

Every A/P department knows it's hard to continually keep employee expenses in line.

In fact, more than half (56%) of CFOs said they have seen a rise in "inappropriate reimbursement submissions" in the last three years, according to a survey from the finance and accounting pros at Robert Half.

And there's a good chance that, to some extent, your A/P department can relate to this continual problem.

## Education, individual attention

To nip bad reimbursement requests in the bud, you can implement these three best practices:

**1. Make expectations clear.** Wacky expense requests might be due to an innocent misunderstanding ... or blatant neglect to read through T&E policies altogether.

That's why A/P should continually refresh employees on what they can and can't claim. It could be as simple as including reminders in a company newsletter or in a quarterly email blast.

**2. Take care of any confusion right away.** If an employee submits a clearly inappropriate expense on his or her expense report, don't just write it off as a misstep and move on.

Talk to the employee promptly. Ask them why they felt this item was a legitimate business expense and politely explain to them why their judgment was off. In turn, repeat occurrences of out-of-policy expenses will be less likely.

**3. Watch employees who push the limits.** To guard your company from fraud and reduce unnecessary spending, keep track of employees who like to push the boundaries of what the company will foot the bill for.

If it happens more than once, mark down repeat offenders right away so the supervisor(s) reviewing their expense reports know to keep a special eye on what those particular employees are submitting.

And if they continue to try to make noncompliant expenses on the company's dime, it might be time to talk to HR and consider taking disciplinary action.

Info: [bit.ly/inappropriate519](http://bit.ly/inappropriate519)

## TEST YOUR KNOWLEDGE

### ■ Leading A/P: Do you know the right approach to take?

Every A/P manager has certain ideals that he or she believes office leaders must possess to keep things running smoothly.

That said, some people could have the wrong image or a skewed perception of what an A/P leader should look like and act like.

It's time to see whether you've been misled on what "unspoken rules" make an effective boss.

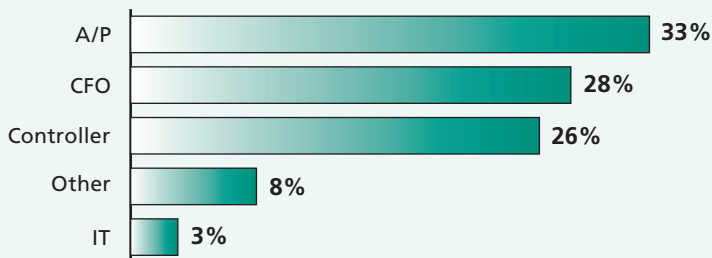
Answer *True* or *False* to the following questions:

1. The best bosses know how to shift to a more outgoing persona and command the room.
2. To keep staffers' performance high and error rates low, it's good for them to see you closely monitoring their practices.
3. An accomplishment for your team is also an accomplishment for you.

## Who's advocating for A/P?

### Who do you think must champion A/P automation initiatives?

Note: Results do not equal 100%.



Source: Esker, [esker.com](http://esker.com)

As much as you need higher level support for big initiatives, your own department's research, dedication and determination can go a long way in spearheading change. After you get the ball rolling, you can share your ideas and vision with your CFO or controller, who can help champion your efforts.

## ANSWERS

- Cite: bit.ly/boss519*
1. *False.* If you're more introverted, being a leader doesn't mean you have to become more outspoken. Authenticity is important, and trying to change your personality or put up a front could make you look inauthentic, says leadership expert Julia Stigitz.
  2. *False.* Though you want to take an active role, micromanaging doesn't work. To help staffers thrive creatively, sometimes you have to step back. Give them autonomy and provide support.
  3. *True.* Some managers mistakenly treat staffers' successes as threats, not as team victories, Stigitz says. Great leaders know everyone should share wins. Your staffers' achievements are also your own.

Answers to the quiz:

# 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.

## **Managing vendors with both exempt and nonexempt items**

It can be more difficult to manage tax exemptions when you buy both exempt *and* nonexempt items from a vendor, admits tax pro Diane Yetter.

And there's no set rule for these situations. Sometimes, a single vendor account can be split, and you can list taxable items and exempt items on an exemption certificate.

If the vendor can't do that, you may need two accounts – one with taxable items, one with exempt items. Then Procurement needs to know which customer number to buy under.

Or, you can give your exemption certificate to the vendor, but then you need to accrue on the taxable items.

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

## **Here's why 'It'll be OK' isn't always the best thing to say**

When your co-workers are going through tough times, you might want to say something like, "It'll be OK."

Though some may find these words supportive, others going through true hardship could find them dismissive.

Here's what you could do instead:

- **Validate them.** People's feelings are valid, so tell them that. Say, "I hear you," or "That does seem hard."
- **Lend an ear.** Just listen and thank the person for confiding in you.
- **Keep an open door.** Let them know you're here and, if appropriate, point them to other resources or personnel.

*Info: bit.ly/positive519*

## **What to consider when revising A/P policies**

Updating policies has probably been a big topic of discussion recently.

If you've increased remote work or changed any standard A/P procedures,

your policy should reflect that. When writing, don't forget to consider:

- **Your audience:** Often, words don't read like they're speaking directly to employees, vendors, etc. Think about what *they'd* want to hear.
- **Your language:** If any of your policies use complicated language, it's less likely others will adhere to them. Cut out the jargon!

Then, after you update policies, have an objective third party read them and provide feedback on their clarity.

*Info: bit.ly/private519*

## **Want to support staffers? Start with the newbies**

It's no secret the younger generation of workers is walking into a tough job market, and many are uneasy about what their futures hold.

But as their manager, you can help. Consider how you can make Gen Z workers feel valued while helping them succeed. Transitional programs? Mentorships? Emotional aid?

Along with fostering a progressive office, these tactics may help you retain more staffers for the long haul.

*Info: bit.ly/young519*

## **SOFTWARE SKILL BOOSTER**

### **Wrong orientation! Quickly rotate or flip your screen**

Do you ever open an e-invoice or file to find it's sideways or upside-down?

Sure, you can edit the file. But if you just need a quick fix to change the screen orientation, use these shortcuts:

- **Ctrl + Alt + right/left arrow keys** rotates your screen.
- **Ctrl + Alt + up/down arrow keys** flips your screen.

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

## PAYABLES NEWS

### ■ **IRS calls attention to NEC, backup withholding**

A/P should verify that even amid all the chaos in recent months, it's still backup withholding properly.

The Service recently issued *Tax Tip 2020-80, How to report nonemployee compensation and backup withholding*, which discusses the 1099-NEC form, as well as when nonemployee compensation may be subject to backup withholding.

This tax tip could be IRS's subtle way of saying that even with a new 1099 on the scene, there's no excuse for backup withholding noncompliance.

*Info: bit.ly/taxtip521*

### ■ **Independent contractors rising in small biz sector**

Evidence shows you can likely expect the amount of independent contractor (IC) payments you issue to keep increasing in the future.

IC growth now exceeds employee hiring for smaller businesses that already rely on services rendered by one or more ICs, according to research from Paychex.

Of course, you know more IC payments mean more compliance and regulatory obligations for A/P – so keep your team alert and practices tight.

*Info: bit.ly/contractors521*

### ■ **Are noise-based distractions hurting A/P's productivity?**

As your department ponders how to proceed forward with remote work, socially distant office spaces and more, don't forget to take noise into consideration.

The workplace experts at Knoll found that in an open office space:

- 30% of employees are displeased with office noise levels.
- After a distraction, it can take them up to 25 minutes to refocus, resulting in up to 85 minutes per day of lost work time.

*Info: bit.ly/noise521*

# Dynamic strategies to help A/P succeed in the ‘new normal’

■ *Staying on top of your game, come what may*

The coronavirus has likely made your A/P department rethink a lot.

While developing a contingency plan was certainly a good first step, A/P must now go further, examining the aspects of your inner workings to flesh out any weak spots.

To locate and repair the cogs in your department’s proverbial wheel, there are a few steps you should take:

### 1. Focus on teamwork

During the last few months, most departments have been living by the motto “all hands on deck.”

With the transition back to the office, it shouldn’t be any different.

Hold a meeting with the leaders in your team. Answer questions, set new expectations and reassure everyone by giving them clear, concise information.

On the flip side, you should also talk with your vendors as they transition back, involving staffers that interact with them the most. Learn how vendors are feeling and what you can do to fill any new needs they might have.

With this approach, you’ll have

communication covered on all fronts to make sure everyone feels heard.

### 2. Go slow and steady

After months of working at home, you might be revved up and ready to make up for any productivity pitfalls or economic discrepancies right away.

However, a skyrocket in profits is unlikely for most this year. Instead, spread the idea that A/P – and the rest of your company – should focus on a sturdy bottom line over lofty profits.

If you do that, you’ll stay steady this year, and the sky’s the limit for the years to come.

### 3. Close the wallet

When it comes to company money, being realistic and frugal means finding new ways to save in A/P.

So, explore every avenue: Negotiate better deals with vendors. Pump the breaks on extra expenditures. And, whenever possible, send electronic payments/docs to avoid mailing costs.

Every little bit can help.

*Info: [bit.ly/adjustment519](https://bit.ly/adjustment519)*

location (aka, the property).

Plus, the CEO testified that the summary he provided was extracted directly from the detailed log that had been stolen.

### Analysis: Maintain solid records

This case shows just how crucial it is to keep detailed T&E expense records and prove good faith with IRS regs.

It also demonstrates that to avoid issues or hiccups, some companies may need more bulletproof recordkeeping practices, such as electronic expense logs or backup storage systems.

*Based on Maki v. Commissioner. 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.*

### Sentenced! A 16-year scheme comes to an end

**Individual:** Lisa Fore, former bookkeeper for the Cirelli Company in Severna Park, MD.

**Violation:** An investigation found Fore had stolen nearly \$1 million from the company and its related entities. She pleaded guilty to mail fraud and aggravated identity theft.

**Penalty:** A judge sentenced her to serve 45 months in federal prison, followed by three years of supervised release.

**Note:** Soon after being hired as a bookkeeper, Fore began an embezzlement scheme in which she forged signatures on checks, made unauthorized electronic transfers and misused company-related credit cards. Fore fabricated fake bank statements and fake invoices to hide the fraud, which went on for over 16 years.

**Cite:** [bit.ly/fore521](https://bit.ly/fore521)

### CFO creates fake vendor to pilfer over \$540K

**Individual:** Kris Fratzke, former CFO of Flare Fittings in Kalamazoo, MI.

**Violation:** For stealing more than \$540,000, Fratzke faces charges of wire fraud and filing a false tax return.

**Penalty:** If convicted, she could face up to 20 years in prison for wire fraud and three years in prison for filing a false tax return.

**Note:** First, the former CFO created a shell company disguised as a normal supplier. Then she issued invoices to the fake vendor, paid them and deposited the money in her personal bank account. Fratzke gradually transported funds over the span of six years.

**Cite:** [bit.ly/fratzke521](https://bit.ly/fratzke521)

## Sharpen your judgment THE DECISION

(See case on Page 2)

Yes, the CEO convinced the tax court, which ruled in his favor.

An IRS commissioner argued that the CEO was only able to produce a summary of his travel expenses – not a detailed log. And that wasn’t enough to prove he deserved the travel expense deductions he claimed.

But the tax court disagreed. It said it wouldn’t be hard to prove the CEO’s travel expenses were legitimate, since he always went to the same

## 6 smart strategies to organize a cluttered computer space

### ■ Take an active approach to keep things orderly

A desktop page scattered with files. A downloads folder crammed with old documents and app installers. The file you need for today's meeting, nowhere to be found.

If this sounds like your PC, it's time to make a change.

### Clean and concise

For a smoother, more efficient computer experience that won't stress you out, take these six steps today:

1. **Set expectations.** You might be tempted to dive into the deep end and go all out, setting up color-coded, tagged folders. However, it's important to be realistic: Is this a system you'd be able to maintain in the long run?

2. **Pick your system.** Think about what would work best for your workflow. Should you set up your folders by date? By vendor? Or should you make the folders based on file type, labeling them "presentations" or

"expense reports"? Select one system and stick to it.

3. **Consciously avoid lazy filing.** When you save a file, resist just putting it in "Desktop" or "Downloads" to handle later. Put it in the correct folder right away, so you can easily find it when you need it.

4. **Keep it simple.** Don't make too many nested folders that get too specific. A good rule: Each folder should have a minimum of 10 files.

5. **Schedule cleaning sessions.** With a new system in place, your computer should generally be decluttered. But given A/P's busy days, some hastily saved files may occur, so pencil in a few minutes once a week to tidy up.

6. **Tweak your process as needed.** If you find something isn't working, don't just stick with it for the sake of consistency. Make small changes until you find what works best.

*Info: [bit.ly/computer519](http://bit.ly/computer519)*

## Not ready for all e-payments? Meet in the middle

### ■ Take steps forward without taking the plunge

There are a million reasons your A/P department might be holding on to using paper checks.

Whether your A/P veteran staffers prefer them, your vendors like manual methods better or you just don't have the time for a big upgrade, it can be difficult to get everyone on board.

Luckily for the traditionalists, it's likely that checks won't become extinct anytime soon. They've been around for decades, and their use will likely continue to fade out slowly.

So, how should A/P respond?

### Pinpoint the gray areas

It's possible to upgrade your processes without making big digital

alterations that'll leave your staffers or vendors dissatisfied.

In fact, the most successful way to deal with this issue is to acknowledge the gray area and then make moves to integrate checks into what's called "simplified electronic payment workflows," according to Nvoicepay.

That way, A/P can minimize its workload without forcing key vendors to change their ways if they like their manual payment process as is.

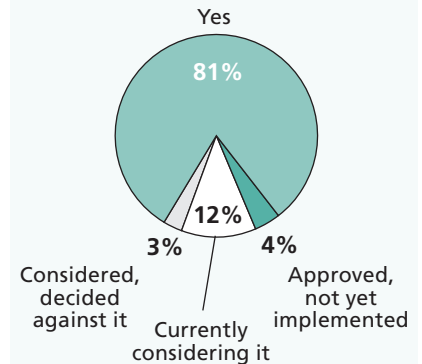
By modifying your system so that you can accommodate every vendor, no matter their pay preference, you'll get the best of both worlds and keep everyone content.

*Info: [bit.ly/transition519](http://bit.ly/transition519)*

## How do you stack up?

### Digital receipts

Do you let employees submit receipts via mobile devices?



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

Mobile receipts can be a huge timesaver for A/P, travelers on the road and employees working remotely. Just make sure you have the proper controls and training to spot a fake or manipulated receipt.

*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

### ■ Finding the 'purrfect' pet to liven up your office

These days, many offices find keeping a furry friend comes with a variety of benefits, like stress reduction and increased productivity.

If your company wants a pet as its newest team member, consider:

- **Dogs:** As the most obvious choice, dogs are playful, easily trained and can bring a smile to even your crankiest co-worker's face.
- **Bunnies:** They're docile, quiet, loving and can be easily trained. Whether they're cuddling up or hopping around a small pen, they're sure to be a delight.
- **Budgies:** These little bright birds can truly "whistle while you work." Plus, they require minimal maintenance.

*Info: [bit.ly/pets519](http://bit.ly/pets519)*

## 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.

### ECONOMIC NEXUS

More states are changing their tax regs for online sales. Check out the latest from three states.

**NORTH CAROLINA** – Does your company ever expense prepared food or delivery services? Get ready to see sales tax attached.

Recently, we mentioned a proposed bill (House Bill 1080) would require marketplace facilitators of “prepared food delivery” to collect local meal taxes from you, effective July 1, 2020.

That bill has been passed, meaning sellers of prepared food, including delivery platforms like DoorDash and Grubhub, must charge you sales tax.

To reduce confusion, the bill also clarified that a marketplace facilitator is “engaged in business” in North Carolina and must collect tax if it has:

- a physical presence in-state, or
- economic nexus with the state.

*Info: bit.ly/nc-519h*

**TENNESSEE** – Heads up, A/P. This state is changing its economic nexus threshold.

Currently, remote sellers that make \$500,000 in Tennessee sales each year must collect sales tax from you.

Soon, that threshold will be lower.

Beginning Oct. 1, 2020, remote sellers and marketplace facilitators that make \$100,000 in Tennessee sales each year will have to collect sales tax from you.

*Info: bit.ly/tn-521*

**MISSISSIPPI** – There's finally a marketplace facilitator law here.

The governor officially signed House Bill 379, aka, the Mississippi Marketplace Facilitator Act of 2020.

As of July 1, 2020, marketplace facilitators that make more than

\$250,000 in sales each year must collect sales tax from you.

There's a notable exception for marketplace sales: Third-party food delivery marketplaces aren't included in these new regulations.

*Info: bit.ly/ms-513*

### SERVICES

Services are a tricky category for sales and use tax. Luckily, two states are offering new info now.

**TEXAS** – If your company buys interactive voice response (IVR) services, here's information about their taxability in Texas.

A company addressed the state, believing it was incorrectly assessed for sales tax on IVR services. It said they were nontaxable call center services.

But the state disagreed, determining the IVR services included taxable data processing services.

*Info: bit.ly/tx-521*

**ARKANSAS** – Here's good news if you're paying for virtual or online services in the Natural State.

Arkansas recently published an opinion saying certain virtual services aren't subject to sales tax.

That includes online services of:

- bookkeeping
- project management
- business analysis
- email management
- research, and
- customer service.

*Info: bit.ly/ar-521*

### MEDICAL EXPENSES

Working in the medical industry or paying for medical purchases? Two states have sales and use tax updates.

**OKLAHOMA** – Here's new insight on expenses that qualify for Ohio's prosthetic device exemption.

Recently, the state discussed grafts

derived from human tissue that are implanted to help tissue regeneration.

The state ruled the grafts qualify as exempt prosthetic devices because they “support a weak or deformed portion of the body,” which is part of the definition of prosthetic device.

*Info: bit.ly/ok521*

**WEST VIRGINIA** – There's new guidance for A/P pros paying for certain medical expenses here.

West Virginia just issued a notice explaining when purchases of “drugs, durable medical equipment, mobility enhancing equipment and prosthetic devices dispensed upon prescription” are exempt from sales and use tax.

View the full notice below.

*Info: bit.ly/wv-521*

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**Nelda Ferrell**  
Senior A/P  
WVMI

**"T**he detailed sales and use tax info is the newsletter's most helpful feature for our company."

**Steve Rut**  
Assistant Controller  
Sunrise Medical Laboratories