



# 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.

November 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.

## Year-end's in sight! Key dates and details for A/P

### ■ A comprehensive timeline for Tax Year 2020

Tax year 2020's filing deadlines will be here before you know it.

And due to recent developments – from the revived 1099-NEC for nonemployee compensation to all the process changes that resulted from the coronavirus pandemic – this year-end is sure to present challenges for A/P.

That said, familiarizing your team with this year's timeline and other key details can get A/P prepped early on.

Here's what to know.

#### E-filing details

It's clear that electronically filing information returns can streamline

and speed up the process.

This year, during the pandemic, many companies saw an increase in remote work and were forced to turn to more digital processes.

That will likely be reflected in e-filing popularity. Even A/P teams that stuck with paper in the past may take advantage of IRS's Filing Information Returns Electronically (FIRE) System this year-end.

Plus, remember there will be a lower mandatory e-filing threshold beginning in Tax Year 2021. So, it'd be smart for A/P to get more familiar

*(Please see Year-end ... on Page 2)*

### California expands its worker classification rules

#### ■ More occupations exempt from the ABC test

Going forward, A/P may need to pay more workers as independent contractors (ICs) in the Golden State.

You'll recall that AB 5, effective Jan. 1, 2020, codified the ABC test for determining worker classification.

The law clarified that workers in some occupations (doctors, lawyers, insurance agents, etc.) are exempt from the ABC test and should instead use a multifactor test ([bit.ly/multi528](http://bit.ly/multi528)).

More recently, the state enacted AB 2257, which explains and expands on the types of workers exempt from the ABC test. The law includes a wider

array of occupations from fine artists and freelance editors to landscape architects and real estate appraisers.

#### Takeaway for A/P

With more occupations exempt from the ABC test, it's easier for workers to qualify as ICs. So, in California, A/P must be proactive and verify workers are classified and paid correctly.

And remember this latest IC law could serve as a regulatory model and be adopted elsewhere, too.

*Info: [bit.ly/classification528](http://bit.ly/classification528)*

# Information Return Filing

## Year-end ...

(continued from Page 1)

with the system this go-round, considering they may have to use it next year.

To stay on track, your A/P team should know the schedule for the FIRE Test System (to verify returns are good to go before actual filing starts) and the FIRE Production System.

This year, the system's schedule is as follows:

- **Nov. 3-Dec. 4, 2020:** FIRE Test System available.
- **Dec. 4, 2020-Jan. 4, 2021:** FIRE Test System down for updates.
- **Dec. 4, 2020-Jan. 5, 2021:** FIRE Production System down for updates.
- **Jan. 4, 2021:** FIRE Test System available for test submission.
- **Jan. 6-8, 2021:** FIRE Production System controlled launch.
- **Jan. 8, 2021:** FIRE Production System available for file submission.

Don't forget: According to IRS, the two systems don't connect. That means you'll need to create separate accounts for the test system and the production system.

### 1099, 1042-S deadlines

Ready to file information returns? The most important IRS deadlines for A/P to know include:

- **Feb. 1, 2021:** 1099-NECs, whether

paper or electronic, due.

- **March 1, 2021:** other paper 1099s, including 1099-MISCs, due.
- **March 15, 2021:** 1042-Ss, whether paper or electronic, due.
- **March 31, 2021:** other electronic 1099s, including 1099-MISCs, due.

Your team can see more details in IRS Publication 1220 ([irs.gov/pub/irs-pdf/p1220.pdf](https://irs.gov/pub/irs-pdf/p1220.pdf)).

### State requirements

Of course, states have their own requirements for information return filing. They typically either:

- participate in IRS's Combined State/Federal Filing Program
- require 1099-MISC filing if they report withholding
- have separate 1099-MISC filing or unclear requirements, or
- don't have any 1099-MISC filing requirements.

It's important to find out your state's stance, then check its website or resources to see if A/P has any extra filing responsibilities to pencil into its year-end calendar.

And as we mentioned recently (*see KAP 11/2/20*), 1099-NECs aren't included in IRS's combined program this year, so be sure to take that responsibility into account.

*Info: View the 2020 version of "Instructions for Forms 1099-MISC and 1099-NEC" at [irs.gov/pub/irs-pdf/i1099misc.pdf](https://irs.gov/pub/irs-pdf/i1099misc.pdf)*

## 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.*

### ■ Should travel reimbursements have counted as wages?

A/P Manager Jenn Smith zipped up her coat as she walked through town with her friend, Maggie Andrews, one autumn afternoon.

"Thanks for meeting with me," Maggie said. "Honestly, I need some advice. And I think it's right in your finance wheelhouse."

"OK, go for it," Jenn replied.

### Worker promised payment

"Well, my son Ryan just lost his job. His firm terminated his contract after several years," Maggie began.

"I'm sorry to hear that," Jenn said.

"Here's the bigger issue," Maggie said. "He made several business trips right before he was terminated, and the firm never reimbursed him for his travel expenses."

"Shortly after he was let go, he called the firm and asked if they'd be paying him back for these expenses along with his back wages. The firm said reimbursement for travel wasn't considered wages," Maggie explained. "You handle this kind of stuff at work ... Is that true?"

"That's a complicated question," Jenn admitted. "The answer depends on quite a few things."

Maggie sighed. "Ryan told me that, when he signed his contract, it said travel was a part of the job and he'd be paid for any expenses he incurred on business trips," she said. "So, I think that should count for something."

Later, Ryan sued the firm to collect reimbursement for his travel expenses under state law.

Did his case move forward?

- *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 I genuinely gained my A/P team's trust

Being introduced to a new team can be nerve-wracking. When I was brought on to manage an established A/P team, I saw it firsthand.

Staffers were wary, assuming I was inexperienced or wouldn't be with the company for the long haul. And when new management comes in, staffers usually fear big changes are coming, too.

But I knew I couldn't let their skepticism make me worry, panic or throw in the towel.

I had to change the workplace vibe

and get my staff and co-workers to see that they could really count on me.

### Individual connections

That meant talking with people – all kinds of people, all around the office.

I asked questions about their current processes and asked for their feedback on potential changes, showing that I cared and valued their input.

If they had concerns, especially about someone like me coming in and making big changes, I made sure they knew that I understood their concerns.

And I emphasized that my goal was to help make

things better for all of us.

When I had these kinds of conversations with others, I could see their attitudes shifting right before my eyes. They realized I was invested, I wanted to help A/P grow, and I was a team player.

It'd been a long time since someone had come in and tried to improve their processes, and in the end, it got a lot of staffers really excited!

Now, there's a mutual connection and trust between all of us.

*(Melisa Garcia, Finance Manager, Acuren Inspection Inc., Danbury, CT)*

## IMPROVING YOUR OWN A/P PROCESS

## 2 Made finance reports valuable, actionable

Because Finance deals with critical company data, we were always getting requests for various reports.

However, we knew people's eyes would often glaze over trying to pull out relevant information from spreadsheets without understanding why it mattered.

Some companies had success using business intelligence (BI) software or other add-on tools to create charts and graphs with this data.

While these were more visually appealing, they still came with the same problem: It was hard to provide context to make the info actionable and meaningful.

### Importance of 'why'

Now, when we generate reports, we don't just focus on the data itself, but how we present it.

One simple question guides our approach: Why?

If we take the time to figure out why the report was requested in the

first place and why the data's valuable, we can present it with that focus in mind, telling a story

about its importance.

Other people at our company have found this strategy helpful, and they have a better idea of how to interpret the data they request.

As a result, they can take our reports and act on them more quickly.

*(Iggy Svoboda, Payroll Manager, Clif Bar & Company, as presented at the 2020 American Payroll Association Virtual Congress)*

## 3 The interruption that speeds up meetings

Every business pro's been there: A meeting that's supposed to be productive amounts to nothing more than a lot of chatter and repetition.

At our company, it was happening every time we gathered people or teams together.

We were always rehashing the same moot points, and it felt like we were never making any actual progress.

And while it's important to listen to everyone's ideas, we wanted to cut out

the repetitive comments to make room for new, fresh ideas.

### No more rehashing

That's why we developed a list of our top productivity-killing phrases.

Included on the list were:

- "to piggyback on that ..."
- "to reiterate what he/she said ..."
- "to build on that ..."

Then we brought in something a little unconventional: a buzzer.

If someone uses one of the phrases

on our list, we hit that buzzer!

It's a little abrupt, sure, but we all have a good laugh and then move on to a new idea instead of listening to someone repeat an old one.

And it's made staffers think more before they speak. Now they only contribute ideas that move us forward.

Thanks to the buzzer, we've cut our meeting lengths in half – and we can put that extra time to good use.

*(Steve Pemberton, Global Chief Diversity Officer and Divisional VP, Walgreens, Deerfield, 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.

## T&E COMMUNICATION

During the coronavirus pandemic, communication on T&E has become even more critical than normal.

Question is: How do employees want to hear coronavirus-related travel and expense news?

A BCD Travel study asked what employees' preferred channel(s) were for travel communications related to COVID-19.

The top answers were: email (92%) corporate intranet/portal (52%) and travel app messaging (42%).

### Leveraging email

With nine in 10 employees happy to receive news via email, that may be the best medium for A/P to focus on.

To make the most of emails during the remainder of the pandemic:

**1. Keep it clear, consistent.** You want employees to know as soon as the email comes in that it's timely, regarding T&E and COVID-19.

You could come up with a subject line to use with every email update, such as: *T&E COVID-19 Update [date]: [Email Topic]*.

**2. Be aware of your tone.** Given the seriousness of the pandemic, it's vital to strike the right balance between sounding too light (which could come off as insensitive) and too somber (which could add to employees' stress).

Be calm, objective, professional – and if necessary, sympathetic.

**3. Show how you're taking action.** Employees want to see what you're doing to keep them safe and T&E on track during the pandemic. Are you adding more mobile options? Updating travel safety guidelines? Reimbursing quicker?

Be sure your emails include that kind of language, too.

### And to go a step further ...

Since about half of employees also like to see communications on your company's intranet or online portal, it'd be smart to keep an archive of T&E COVID-19 updates there, too.

That way, there's a full record of all your communications in one place. If employees can't find a specific email or want a comprehensive look at A/P's T&E news, they can head online.

*Info: [bit.ly/trav528](http://bit.ly/trav528), [bit.ly/comm528](http://bit.ly/comm528)*

## TEST YOUR KNOWLEDGE

### ■ P2P: Eliminating slowdowns and boosting efficiency

With your Purchase to Pay (P2P) process, you might feel like there will always be bumps in the road.

But you don't have to just accept drawbacks as "That's just the way it goes." Instead, A/P should constantly work to improve its process.

Test your knowledge of P2P best practices by answering *True* or *False* to the following questions:

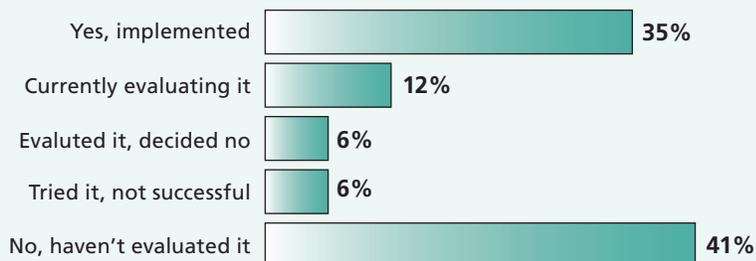
1. To maximize productivity, your P2P process should take into consideration and be adaptable to each individual's different work style.
2. To track P2P successes, it's best to create a list with broad-level goals such as "better vendor relationships" and "get everyone up to speed with the new tech."
3. Your P2P process should be completely visible, even the parts that you think aren't necessarily important to the overall picture.

## ANSWERS

- Answers to the quiz:*
1. *False.* Standardization and consistency are key. Although your process is affected by the way each person works, you shouldn't spend time catering to their differences. Instead, stick to standard rules and guidelines for all purchasers, staffers, etc.
  2. *False.* Setting goals is great, but each goal must be measurable. When you make your targets holistic or broad, it's harder to determine if you actually complete them or not.
  3. *True.* If you think there are parts of the process you don't need to keep an eye on, think again! The more visible and monitored each step is, the easier it is to pinpoint glitches and remedy them.
- Cite: [bit.ly/p2ppractice](http://bit.ly/p2ppractice)*

## Weighing corporate card programs

### Has your company implemented a "One Card" program for T&E and purchasing cards?



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

A "One Card" program allows employees to put costs from more than one expense category on a single card. And while it may not be the right choice for every company, it can produce notable benefits, such as higher rebates, streamlined data feeds and consolidated expense reporting.

# 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.

## Master vendor file: How to handle one-time suppliers

Practically every company makes one-time purchases. The question is, should A/P manage those vendors differently than recurring vendors?

Yes, say the experts at Technology Insight. On top of meeting all the usual new vendor creation rules, it's key to have separate guidelines for how to handle one-time vendors in your master vendor file.

That should include addressing how soon to inactivate one-time vendors.

*Info: [bit.ly/onetime528](https://bit.ly/onetime528)*

## 3 ways to eliminate 'busy work' once and for all

Most A/P pros dread nothing more than a day filled with "busy work."

To banish pesky tasks and get to the work that matters:

1. **Self-reflect.** Think about if the tasks are truly useful. If not, consider how you can eliminate them.
2. **Set clear expectations.** Write out your goals as a team. Then compare them to the assignments you're doing and make sure they align.
3. **If it can't be avoided, be fair.** Some busy work is essential to help operations run smoothly. In this case, evenly divide these jobs, so no one feels unappreciated.

*Info: [bit.ly/busy519](https://bit.ly/busy519)*

## Ensuring invoices get paid – even when disaster strikes

It's hard to anticipate when disaster or financial problems could unfold.

And one study found 78% of A/P departments admit to paying invoices late, even in *normal* circumstances.

So, if your company falls on hard times, here's how to stay on track:

- **Pick up the phone.** When your company's strapped for cash, there's

no shame in talking to vendors and striking a deal to pay a little later.

- **Get more strategic with timing.** Pay invoices with discounts (e.g., 2/15, Net30), right before the discount period ends (e.g., day 14 or 15). That way, you hold on to cash longer but still score savings.

*Info: [bit.ly/invoice519](https://bit.ly/invoice519)*

## Why the best A/P pros don't always assume they're right

Deciding when to trust yourself will make all the difference in your life, according to Steve Jobs.

Many managers and leaders might assume that, given their position, it's best to go with their gut. But these "quick solutions" might not turn out to be suitable plans in the long term.

The key for anyone in a managerial position of power: Despite what your gut says in the moment, it can still help to get others' input. Listen, think before you decide on a solution and don't be too proud to admit if or when someone else has a better answer.

*Info: [bit.ly/smart519](https://bit.ly/smart519)*

### SOFTWARE SKILL BOOSTER

## Do you make time for 'tech housekeeping'?

Your computer is arguably the most important tool for A/P work – especially when working remotely.

That's why it's key to do regular "tech housekeeping," including:

- backing up data and programs
- updating software/security apps
- restarting your computer
- clearing the cache, and
- uninstalling unused programs.

*Info: [bit.ly/housekeeping528](https://bit.ly/housekeeping528)*

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

### PAYABLES NEWS

#### ■ IRS releases guidance on backup withholding

Heads up! The Service has its eye on backup withholding compliance.

IRS issued *Tax Tip 2020-136* with the latest facts you need to know, including:

- notice that backup withholding is required on non-payroll amounts in certain cases
- the specific rate (currently, 24%)
- examples of payments subject to backup withholding, and
- examples of when payers must deduct backup withholding.

*Info: [bit.ly/withholding528](https://bit.ly/withholding528)*

#### ■ Unclaimed property ruling clarifies audit boundaries

How far can states go when requesting and assessing records in an unclaimed property audit?

A recent court case, *State of Delaware, Department of Finance v. AT&T Inc.*, set the record straight.

Most notably, the court ruled:

- Delaware can't use its 2017 statute of limitation law retroactively.
- Requesting data on *all* checks issued by a company, including ones with out-of-state addresses, may be an abuse of the process.
- Companies may have to produce records/reports to meet audit requests, even if those records didn't exist before the audit.

*Info: [bit.ly/unclaimed528](https://bit.ly/unclaimed528)*

#### ■ The latest recipient of IRS tax relief: Hurricane Delta

Was your company negatively impacted by Hurricane Delta?

If so, know the Service is extending deadlines to file business tax returns and make tax payments.

You can see more details at the link below. And get a broader look at all the areas receiving tax relief at IRS's disaster relief page ([irs.gov/newsroom/tax-relief-in-disaster-situations](https://irs.gov/newsroom/tax-relief-in-disaster-situations)).

*Info: [bit.ly/delta528](https://bit.ly/delta528)*

# Have a great idea for A/P? Here's how to get leadership to listen

### ■ Command their attention, advance your team

In A/P, your job isn't only to pay the bills and keep the course – but to improve your processes and department as a whole.

So, if you do have a stellar idea or suggestion, how do you grab the attention of those in charge and convince them your idea is worth a shot?

#### Prep for success

Of course, you know you can't just run your big idea by leaders when you see them in the hallway or during an unrelated meeting. Instead, take time to make a game plan first, so when you do present your idea, you really wow your audience.

Here are some tips you can use to prepare and ace your proposal:

**1. Zero in on your target(s).** Get to know who you're pitching to. If your idea was put in place, who would be facilitating it? Then consider what talking points that person – and other leaders – will be interested in.

While you might think the best part of your idea would be improving team morale, your CFO or controller

will want to hear more about how your idea will generate revenue. So, capitalize on that point and tailor your pitch to their interests.

**2. Make it snappy.** Higher-ups don't have a lot of time, and if you talk for too long, they could lose interest.

Remember to use plain English in your speech, and don't get too far into the weeds of your project's details unless specifically asked to. Use memorable, key phrases throughout the presentation, and, if appropriate, use emotion-evoking anecdotes as a tool of persuasion.

**3. Follow up.** After you're done, make follow-up calls with attendees and recap your key selling points.

Say "thank you," and express how much their time, consideration and feedback mean to you.

Lastly, make yourself available to schedule additional discussions if anyone still has questions. Show them you're committed to your idea and getting them on board.

*Info: Business Management Daily, Mastering Office Politics, "Sell Your Ideas to Advance Your Career"*

The court said the contract promised to pay Ryan for the costs he incurred for biz travel, which counted as "other remuneration" and constituted wages recoverable under state law.

#### Analysis: Time is of the essence

If the reimbursement process is delayed too long after an employee's traveled, it may lead to issues upon a worker's termination. Remind employees to submit expense reports to A/P quickly, so your company can avoid situations like this one.

*Based on Roley v. National Professional Exchange Inc. This case has been 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.

### Illegally accessed bank accounts via 'dark web'

**Individual:** Tricia Boutros, former attorney at Steele Legal PLLC in Washington, D.C.

**Violation:** After stealing more than \$1 million via an encrypted internet network, Boutros pleaded guilty to bank fraud.

**Penalty:** She was sentenced to serve 30 months in prison, followed by 60 months of supervised release.

**Note:** Using the dark web, Boutros illegally obtained others' login details to access bank accounts. Then she wrote checks payable to herself or transferred money to her personal accounts and law firm accounts. According to court documents, she illegally infiltrated at least 30 different bank accounts and tried to make approximately \$3.5 million in fraudulent transactions.

**Cite:** [bit.ly/boutros528](http://bit.ly/boutros528)

### A little here, a bit there: \$430K stolen in 8 years

**Individual:** Henry Hill, former branch manager at the Greater Iowa Credit Union in Ames, IA.

**Violation:** Hill pleaded guilty to bank fraud, admitting in his plea deal that he stole over \$430,000 from the credit union.

**Penalty:** A judge will sentence him at a later time.

**Note:** From 2012-2019, Hill routinely stole cash from the credit union. He avoided suspicion by falsely reporting that the cash had been properly audited and the correct amount was there. It wasn't until Hill heard a new compliance officer planned to do thorough audits of cash at all branches that he knew his jig was up.

**Cite:** [bit.ly/hill528](http://bit.ly/hill528)

## Sharpen your judgment THE DECISION

(See case on Page 2)

Yes, Ryan's case moved forward. The court ordered the firm to pay for his travel expenses, plus back wages owed and additional damages.

The firm said travel reimbursement wasn't in the same category as wages.

But that wasn't the case. Ryan's contract clearly said he would be paid for any travel expenses. And state law regards wages as all compensation due to an employee, including "any other remuneration promised for service."

## 3 tips to develop a successful e-payments strategy in A/P

### ■ A forward-looking approach to leverage e-payments

It's one thing for A/P to send e-payments. It's another thing to have an e-payments *strategy*.

With a well-defined, thought-out, company-specific strategy, your team can optimize the electronic payment methods it uses.

### Keys to contemplate

To further develop your e-payments strategy, heed this advice from the payments experts at Viewpost:

**1. Focus on the future.** First, ask the big question: Why is it critical to switch vendors to e-payments?

Is it about generating rebates or boosting security? Is it about upping overall efficiency or reducing overhead costs associated with manual payments?

Once you know your company's "why," you can align your goals and priorities for the long term.

**2. Get internal teams on the same page.** It's key for all groups involved

in the payment process to understand who's responsible for or "owns" different parts of the process.

For example, if Purchasing handles vendor onboarding but A/P manages data changes, verify that's reflected in your policy and everyone's following those rules.

And make sure these policies are communicated with vendors as well, so they know who to reach out to.

**3. Consider your resources.** A successful payment strategy, especially one using electronic methods, requires the right people and tools.

When it comes to implementing e-payment programs, ask: Do you have the technical resources needed for e-payments? Do you have the staff support to maintain these programs?

Once you answer questions along those lines, you'll have a better idea of what you must do to launch forward.

*Info: [bit.ly/strategy528](http://bit.ly/strategy528)*

## What are employees' top technology pet peeves?

### ■ Avoid these habits for a better digital experience

While technology has many benefits in the workplace, it can also have its drawbacks.

The *Wall Street Journal* set out to discover employees' biggest tech pet peeves. And it found their gripes often aren't with the technology itself – but how people *use* the technology.

### The top 7

Check out seven of the most common complaints, so you can work to rid them from your office:

**1. Too many CCs:** People CC you on every email in long email threads ... even when it's not necessary.

**2. No reply:** You send a message

and get nothing back – even when a response is warranted.

**3. Channel hopping:** People "hop" from email to chat to Slack, creating a trail that's hard to follow.

**4. 'Sound on' devices:** You hear their phone and PC constantly *ping!* with notifications and alerts.

**5. Tech pushback:** People refuse to adapt and use newer channels or tech.

**6. Smiley faces:** Though these emoticons are well-intended, some people feel they're unprofessional.

**7. Email subject lines:** They may be too long, too short or just plain unclear.

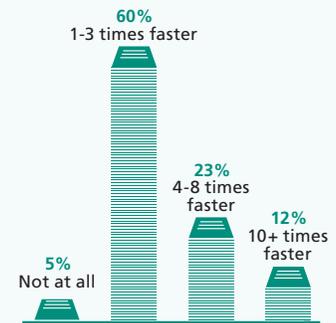
*Info: See the full list of tech pet peeves at [bit.ly/tech528](http://bit.ly/tech528)*

## How do you stack up?

### Reduced paper, higher efficiency

How much could removing paper from your processes speed up your responses to others (staffers, vendors, etc.)?

*Note: Results are rounded.*



Source: Aiim, [aiim.org](http://aiim.org)

Want to save time and improve communication? Think about how A/P could replace remaining paper processes with digital alternatives, like scan and capture, a digital mailroom, mobile capture, etc.

*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

### ■ Yikes! When a sales tax refund request backfires

Here's a strange truth: Subway's bread isn't bread – at least, for sales and use tax purposes.

In Ireland, a Subway franchise requested a tax refund for the 9.2% tax applied to its heated sandwiches made with bread. (Food staples, like bread, typically garner a 0% tax.)

But instead of reducing the tax liability, the court *increased* it. The court said the sandwiches made with bread actually qualified for a 13.5% tax as hot takeaway food.

Reason: To get the 0% tax, the bread's fat and sugar content can't exceed 2% of the weight of the flour in the dough. Subway's bread had a 10% sugar content, so it didn't meet the definition of "bread."

*Info: [bit.ly/bread528](http://bit.ly/bread528)*

# Sales & Use Tax Highlights that A/P Needs to Know

## 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.

### EXEMPTIONS

An exemption a day keeps high costs away! Check out the latest guidance on sales tax exemptions from three states.

**MICHIGAN** – Paying for recycling machinery in the Great Lake State? A/P may be able to score an exemption.

A recent case looked at whether bottle/can recycling machinery could get the exemption for machinery used in an industrial-processing activity.

In Michigan, “industrial processing” starts when items move from raw materials storage and ends when the finished items are in inventory. So, the Department of Treasury claimed recycling machines *didn't* qualify for the exemption, since they helped with the collection of raw materials.

But the Michigan Supreme Court said some activities – like research, experimental activities and the design of exempt machinery – can't happen during the period typically seen as “industrial processing.”

Therefore, the Court ruled, the bottle and can recycling machinery may qualify for the exemption.

*Info: bit.ly/mi-528*

**WASHINGTON** – This one's for companies that are involved in land development and management.

Recently enacted legislation now exempts land development and management services.

In a special notice, the state explains that the new legislation:

- defines land development or management, and
- doesn't include land development or management activities from services rendered regarding construction activities.

*Info: bit.ly/wa-528*

**IOWA** – For businesses that use grain bins in this state, there's new info on their taxability.

As of July 2019, grain bins have been exempt from sales and use tax. But more recently, Iowa added new guidance on the exemption, including:

- the definition of a “grain bin”
- what property qualifies as a grain bin, and
- how to claim the exemption.

See full details by visiting the link below and clicking the section titled “Grain Bin Exemption Guidance.”

*Info: bit.ly/ia-528*

### TAX FILING

Doing double-duty with A/R tasks? Check out these sales tax updates from two states.

**ILLINOIS** – If your company isn't located in this state but sells into it, note this sales and use tax change.

Effective Jan. 1, 2021, remote retailers and marketplace facilitators that meet certain thresholds have to remit retailers' occupation tax.

This is being done to level the playing field between remote and regular retailers.

*Info: bit.ly/il-528*

**ALABAMA** – Heads up if you manage tax licenses in this state.

As of Nov. 1, 2020, Alabama is requiring you to renew six state tax licenses annually, including those for sales tax, rental tax, sellers use tax, lodgings tax, utility gross receipts tax and simplified sellers use tax.

Take note: If your company doesn't renew its tax licenses between Nov. 1 and Dec. 31, 2020, the licenses will be canceled.

*Info: bit.ly/al-528*

### ONLINE COURSES

It's common for companies to buy instructional classes or courses for

their employees. And right now, one state has sales tax news on them.

**TENNESSEE** – Do you get invoices for online video courses here?

Tennessee recently published three new FAQs regarding their taxability. In summary, they explain:

1. Prerecorded videos of online courses are taxable as sales of access to specified digital products ([bit.ly/tn-faq1](http://bit.ly/tn-faq1)).
2. These videos are taxable whether a video's accessed on-demand or at a scheduled time ([bit.ly/tn-faq2](http://bit.ly/tn-faq2)).
3. These videos are taxable no matter if there's a live instructor or not ([bit.ly/tn-faq3](http://bit.ly/tn-faq3)).

Visit the links above to view each individual FAQ.

*Don't see your state listed? Our website has many more sales and use tax updates. Log in and visit [bit.ly/KAPsalesusetax](http://bit.ly/KAPsalesusetax)*

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