



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.

December 7, 2020

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CFO DAILY NEWS

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

Fraud in 2020: Top scams, preventive tactics and more

■ Here's what A/P pros are up against now

With occupational fraud running rampant in the business world, A/P pros must be on guard.

Fortunately, the Association of Certified Fraud Examiners (ACFE) has released its 2020 Report to the Nations with new insight on workplace fraud.

The report takes a look at the criminals themselves: What schemes are most common? What behaviors do fraudsters exhibit?

It also details how companies are responding: What internal controls do they have in place? What training and reporting tactics are most effective?

Check out some key details from

the report to help A/P stay vigilant and fine-tune preventive measures now.

1. Fraud methods

First, you must know what tactics criminals are using – and what they're costing A/P.

ACFE found asset misappropriation schemes, like billing scams and check or payment tampering, are the most common and least costly schemes. They accounted for 86% of cases and had a median loss of \$100K.

Financial statement fraud schemes (when a criminal causes a misstatement

(Please see Fraud ... on Page 2)

What doesn't get reported on Form 1099-NEC?

■ IRS highlights common payment types that don't qualify

As you know, starting in 2021, A/P must use Form 1099-NEC to report various nonemployee payments.

That said, there are several types of payments that *don't* qualify, according to IRS's instructions.

For A/P, it's important to be aware of what the new form won't be used for now, so you can avoid confusion or errors at year-end.

Differentials, travel and more

Here's a rundown to go over with A/P and Payroll:

1. Any **military differential wage payments** employees get while actively serving in the armed forces shouldn't be reported on Form 1099-NEC. Instead, they should go on Form W-2.

2. **Business travel allowances** paid to employees shouldn't be listed on Form 1099-NEC. Depending on the circumstances, these may be reportable on the employee's W-2.

3. The cost of **current life insurance protection** shouldn't be reported on the 1099-NEC. You might include this figure on a Form W-2 or 1099-R.

Info: bit.ly/1099nec529

Fraud ...

(continued from Page 1)

or omission in financial records) were the least common and most costly schemes. They made up 10% of cases and had a median loss of \$954K.

Noting the difference in these top methods' frequency and losses, it's vital for companies to develop unique approaches for each type of fraud.

For example, common occurrences like billing schemes should be checked for constantly. And costly occurrences like misstatement schemes should be monitored with separation of duties, checks and balances, etc.

2. Criminal behaviors

Though each criminal is unique, they often share certain behaviors. In fact, 85% of fraudsters displayed at least one "behavioral red flag," says ACFE. The top red flags were:

- living beyond their means (42%)
- financial difficulties (26%)
- unusually close association with a vendor/customer (19%), and
- control issues or unwillingness to share duties (15%).

These are behaviors A/P should look out for – and address if necessary.

3. Internal controls

You know anti-fraud controls are essential. ACFE's report reinforced

they lead to lower monetary losses and quicker fraud detection. Meanwhile, a lack of internal controls contributed to about a third of fraud cases.

Some of the most common and effective controls included financial statement audits, a code of conduct, a hotline, an audit committee, an anti-fraud policy and fraud training. And some lesser known approaches ACFE identified were surprise audits, mandatory time off, job rotation and whistleblower rewards.

The higher emphasis you put on controls, the better. That sends a clear message to fraudsters, too.

4. Training and reporting

Another takeaway from the report: Providing fraud training and reporting outlets makes a *big* difference.

Companies that trained employees were more likely to detect fraud via tip and more likely to gather tips through reporting mechanisms.

Tips were reported in a variety of ways – the most common being phone hotline, email, online form or paper form. Hotlines, though, proved especially valuable: Companies with hotlines cut their median losses in half (\$100K versus \$198K) and detected fraud occurrences much sooner (12 months versus 18 months).

So, if you're ready to step up fraud prevention, additional training and a hotline are a good place to start.

Info: bit.ly/fraud529

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.

■ Is this 'essential job function' truly essential? Court says ...

A/P Manager Jenn Smith walked into the break room to find Chris Lennox from Receiving mindlessly stirring his coffee.

"Hey, Chris," Jenn said, noting his worried expression. "Are you OK?"

Chris shook his head. "Remember Harry from Receiving?"

Jenn nodded. Before Harry was let go, he'd often sent A/P supporting documentation for purchases.

"Well, he's suing us," Chris said.

Fit for the job?

"What happened?" Jenn asked.

"Well, Harry was having problems with his shoulder and went to see a doctor," Chris began. "When he got back, he was feeling better – but the doctor said he couldn't lift over 50 pounds. But our workers must be able to lift 100 pounds. It's in their job description."

"What did Harry say?" Jenn asked.

"He said nobody actually lifts that much – that the most they've ever had to lift is 40 pounds. Harry even said he talked to other workers who could back him up."

"What did you say?" Jenn asked.

"I told him lifting 100 pounds was an essential job function. Harry may never have lifted that much before, but if a situation came up, he'd need to be able to do it." Chris sighed.

"And if he couldn't do what was required, we'd have to let him go."

Jenn frowned. "That's tough."

When Harry sued for disability discrimination, Jenn's company fought to get the case dismissed. Did it win?

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



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Networking with Other A/P Pros

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

1 **Our CFO-approved plan for taking discounts**

Regarding discount capture, our A/P team had a different viewpoint than our company leaders.

We knew sometimes leadership wanted to manage liquidity and hold on to capital longer.

Our CFO specifically added that we didn't want to "beat up" our vendors with discounts to the point where we were interrupting their cash flow.

But we knew by ignoring discounts, we were missing savings opportunities.

How could we convince leadership

to take more discounts while still respecting their perspective?

Explaining our side

First, we did some research and read statistics on discount savings.

We found evidence that essentially said if you take 2%/10 off invoices, it's equivalent to a 36% interest rate annually. Then we asked leadership: How would you like to make 36% on company money?

To ease our CFO's worries, we pointed out that 2% wouldn't really interrupt vendors' cash flow. They're typically more than willing to give

us 2%. It's a win-win for both sides.

We even offered an alternative: If we can't get to 2%, dynamic discounting can come into play.

For example, if an invoice isn't ready in 10 days, but it's ready to pay in 15 days, we can take, say, 1%.

That might not result in a 36% interest rate annually, but it's still substantial savings.

After hearing what we had to say, leadership was much more open to our approach for discount capture.

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

IMPROVING YOUR OWN A/P PROCESS

2 **A few extra questions solve many problems**

We had a communication problem, and it was killing our productivity.

For example, I once had a relatively new A/P clerk come to me and say that after hours of searching, she couldn't find an invoice in our system.

She had the paper invoice, but she couldn't figure out where the digital copy was. After all, we make a digital copy of all of our paper documents.

So, I gave her a hand. Before we knew it, we'd spent a couple of hours

looking for this file. That's when I turned to her and said, "And you know for a fact this was entered?"

Turns out, she didn't. In fact, it had never been entered.

Time to slow down

I realized then that we were too focused on moving forward. We'd become so set on solving problems that we never stopped to talk about them.

So, I changed my strategy.

Now when someone comes to me with a problem, I don't help them

right away.

Instead, I ask them to explain the issue in its entirety – and I ask them

to tell me how they found out about it.

Once we have the whole picture, we can start taking an educated approach to finding a solution.

This has been extremely helpful. It saves us plenty of time.

(Daniel Dycus, Senior Director of Education Services, American Payroll Association, as presented at the American Payroll Association Congress, Nashville, TN)

3 **Staying connected during COVID-19**

As the pandemic spread, one of our greatest challenges was ensuring employees were engaged and informed.

Right away, we worked to establish COVID-19 business travel and work-from-home procedures with an employee-first focus.

To adapt to the new environment, we knew we also had to create new vehicles for communication, engagement and information-sharing.

Once we had a framework in place,

we convened a cross-functional core team. Then we focused on coming up with new ideas to help employees stay connected to each other.

Getting creative

We pushed ourselves to think differently and open up new avenues for engagement. Some examples:

- We created a talk show, so leaders and employees could share info and ideas. (And 98% of attendees reported feeling very informed.)
- We developed weekly news digest

emails and posted articles, memos and guidance documents to our COVID-19 internal hub.

- We hosted a virtual awards show that recognized achievements for the year. (The kudos that came in the presentation and over chat were extremely motivating.)

All these efforts have helped keep employees engaged and connected, which is crucial during times of crisis.

(Moyra Knight, Vice President for Corporate Communications, Astellas U.S., Northbrook, 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 shows the latest ways you can save time and money on processing travelers' expense reports and reimbursements.

TRIP APPROVALS

Though business travel was slowed by the coronavirus pandemic, it's starting to pick up again.

In fact, American Express Global Business Travel predicts a return to around 60%-70% of usual biz travel volumes in 2021, and a return to pre-pandemic levels in 2022 or 2023.

As travel picks up, there are certain aspects of the T&E process that have shifted and need to be reconsidered. A prime example: trip approval.

What trip approval process is best now? It depends on your company's requirements, resources and culture, explains Travel Incorporated. Here are two popular methods to consider:

Pre-trip approval

With pre-trip approvals, employees have to get the OK from a supervisor before booking a trip. It's proactive.

Basics: This approach can vary, from providing a detailed form outlining the trip to just a short email with the basic where, when and why.

Pros: Since travelers know bookings are being closely assessed, there's often

higher compliance. Employees know if they want their trip approved quickly, they must stay within policy rules.

Cons: There's often some lag time between when employees submit and managers approve trips. That opens the door to the chance that fares will fluctuate or seats/rooms will fill up.

Pre-trip notification

Using this process, supervisors are sent trip info after an employee makes a reservation. It's reactive.

Basics: There's no action needed from the supervisor, since the trip is booked. But they can act if they have concerns about compliance, costs, etc.

Pros: Trips are still being monitored, but there's less time and energy needed from everyone involved. Also, because travelers book first, there are no fears of rate fluctuation or unavailability.

Cons: No concrete action is required of supervisors, so trips are essentially made without oversight. In turn, if supervisors don't thoroughly review trip details, it could spur more rogue spend and noncompliance.

Info: Adapted in part from bit.ly/return529, bit.ly/approvals529

Power of the P.O.

What best describes your company's use of purchase orders (P.O.s) when buying from vendors?



Source: Levvel Research, levvel.io

For A/P, P.O.s act as another layer of approval to ensure order and payment accuracy. And as companies become more dispersed and remote, monitoring spend has become a higher priority, Levvel Research explains. Requiring P.O.s on most, if not all, company purchases is one effective way to do just that.

TEST YOUR KNOWLEDGE

The holidays bring gift card scams: Are you informed?

It's that time of year again.

Around the holiday season, gift card scams are widespread – so much so that IRS recently issued a reminder about them.

For A/P departments, it's essential to know how gift card scams work, so you can avoid them.

Answer *True* or *False* to the following questions to see if you're prepared to avoid these types of scams this winter:

1. The most common way that scammers request gift cards is through a text message, an email or social media.
2. IRS will never request gift cards be used to make a tax payment.
3. If you believe your A/P department was targeted by a gift card scam, the most important thing to do is block the phone number, email address or social media account.

ANSWERS

- Answers to the quiz:**
1. *False.* Though scammers do utilize texts, emails and social media for gift card scams, the most common way scammers request gift cards is over the phone through a government impersonation scam, says IRS.
 2. *True.* Scammers may ask people to pay a fake tax bill with gift cards. But the Service explicitly says, "Gift cards are not used to make tax payments."
 3. *False.* If your company was targeted by a gift card scam, your first move should be to report it to relevant agencies, including the Treasury Inspector General for Tax Administration and the Federal Trade Commission. (See more details on that below.)

Cite: bit.ly/giftcards529

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.

3 ways to streamline your invoice approval process

There's no denying invoice approval is critical – but some processes may be more trouble than they're worth.

To modify your approval process for the better, reconsider your:

1. **Headcount.** Some invoices require many approvers. But is that fourth or fifth person really adding value?
2. **People.** Who's prompt, and who's not? Who's thorough, and who just signs anything put on their desk?
3. **Timeline.** Using negative assurance, A/P can tell an approver, "This invoice is due in 15 days. If there's a problem let me know, otherwise we're going to pay it."

Info: Pam Miller, A/P P2P Conference & Expo, Orlando, FL

Cease fire in your office's battle of the thermostat

When it comes to the workplace temperature, there's often some discord. Nearly half of employees said their office was too hot or too cold in one survey.

How can you keep staffers comfortable and productive?

OSHA recommends an office temp between 68 and 76 degrees Fahrenheit. And the Helsinki University of Technology's Laboratory for Heating, Ventilating and Air Conditioning says a good temperature for the standard office is around 71.6 Fahrenheit.

Whatever temperature your office chooses, just be consistent so that people know what to expect.

Info: bit.ly/temp519

'Does that payee need a 1099?' Remember this

You know entity type can determine if year-end reporting is necessary.

Here's a hard-and-fast rule to share with your staff – and others dealing with your company's payees – as

1099 season approaches:

- If a payee's name includes "Corp." or "Inc.," they're a corporation, so 1099 reporting isn't required.
- If a payee's name has "Company" or "LLC," 1099 reporting *may* be required. You'll have to dig deeper into their business operations.

Info: businessmanagementdaily.com

How to keep your head up when work gets you down

Whether it's a boss with an iron fist or a heavy workload, it can be hard to stay positive all the time.

To keep work stress from getting the best of you:

- **Combat perfectionism.** Reaching for unattainable standards can lead to letdowns. Ask, "Did I give it my all?" If the answer's yes, don't dwell.
- **Change your language.** Tweak how you present ideas. Replace "This might work," with "This will work."
- **Cut out self-deprecating humor.** You may think laughing at yourself is OK, but it could hurt your self-esteem or send the wrong message to staffers.

Info: bit.ly/confidence519

SOFTWARE SKILL BOOSTER

Swipe! How to work faster in Outlook's mobile app

If your company has Outlook, you probably use the mobile app, too.

And did you know you can choose what action occurs when you swipe an email on your mobile device?

In Settings, click *Swipe Options*. Then you can choose actions for "Swipe Right" and "Swipe Left," such as Delete, Archive, Flag/Unflag or Mark as Read/Unread.

Info: bit.ly/swipe529

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

PAYABLES NEWS

■ IRS releases transportation fringe limits for 2021

Good news: When reimbursing employees for certain transportation costs next year, you won't have to adjust to new dollar limits.

For Tax Year 2021, the monthly limitations will remain at \$270.

That's the maximum amount you can reimburse employees tax-free each month for:

- qualified transportation fringe benefits, and
- qualified parking.

Info: Revenue Procedure 2020-45, irs.gov/publirs-droplr-20-45.pdf

■ What's coming: New online system for SSA verification

Ensuring workers' Social Security numbers (SSNs) are correct could get a little easier in the future.

The Social Security Administration (SSA) has started rolling out a new online system – the electronic Consent Based Social Security Number Verification (eCBSV) service.

The service will compare SSA records with participants' data to help reduce fraud, as well as provide more efficient SSN verifications.

The SSA is offering the service to select participants (e.g., financial institutions, service providers) in 2020 and plans to expand to other users in 2021. See more details below.

Info: ssa.gov/news/press/releases/2020/#10-2020-2

■ Work burnout is on the rise, recent survey finds

It may be time to check in with your A/P staffers and re-evaluate their workloads.

About a third (34%) of workers feel more burned out from work now than they did last year, found a recent survey from Robert Half.

What's causing this increased fatigue? Many people (30%) cited a fuller plate at work as the top reason for their burnout.

Info: bit.ly/burnout529

How A/P teams can celebrate the holidays in the age of COVID-19

■ After this crazy year, your team could use a little cheer

The holidays are coming up – and for many companies, they may look a little different this year.

Due to the pandemic, annual parties and office decorations may be passed over – but that doesn't mean the holidays shouldn't be celebrated.

In fact, workplace culture expert Taylor Paone says that after all the turmoil this year, it's never been more important to celebrate accomplishments. The challenge is finding ways to have fun while keeping employees safe, Paone adds.

Start brainstorming now

Check out three ways your A/P team (or entire company) could celebrate this year:

1. Keep tradition – just take it virtual. The good news: Many of the holiday traditions you did in the office can still be done virtually. So, host a virtual party that includes some of the things you normally do – an ugly sweater contest, holiday trivia, etc.

Incorporating your company's usual traditions could help employees feel a sense of normalcy and comfort.

2. Have a mailed gift exchange. You may not be able to hand out gifts in person – but mail services can help!

First, randomly pick “Secret Santas” and set a dollar amount cap. During the next few weeks, be sure to remind everyone to ship their gifts in plenty of time. Then, before the holiday, have a video call during which everyone opens their gifts.

3. Organize an outing. If state regulations allow it and employees are comfortable getting together in a safe, socially distant way, you could plan an outing. Here are some ideas:

- *Give back.* This year has taught people the importance of being there for each other. To positively impact your community, your team could volunteer at a soup kitchen or participate in a charity drive.
- *Get outside.* During the pandemic, experts say outdoor activities are more favorable than indoor ones. So, do something festive like ice skating in the city or walking through a winter light display.

Info: Adapted in part from bit.ly/paone529

Harry brought up the legitimacy of the 100-pound lifting rule, and other workers testified 40 pounds was the max amount they lifted regularly. That was enough for the court to question if it was truly an essential function.

Analysis: Re-evaluate 'essential'

Typically, if employees can't perform an essential function, companies are justified in letting them go. But this case shows essential functions must also be relevant to what the job entails.

Keep that in mind when evaluating and determining job duties in A/P.

Based on Pfendler v. Liberty Dialysis-Hawaii LLC. 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.

5-year prison sentence for ruthless email scams

Individual: Lawrence Espaillat, resident of Clifton, NJ.

Violation: For his part in business email compromise (BEC) scams, Espaillat pleaded guilty to one count of conspiracy to commit wire fraud.

Penalty: He was sentenced to serve five years in prison, followed by three years of supervised release. The judge also ordered him to pay \$1.7 million in restitution.

Note: With two other conspirators, Espaillat created email addresses to pose as employees from real companies (e.g., vendors). Then they sent emails to various people, requesting payments for invoices or debts owed. Often, recipients wired money right to the criminals' bank accounts.

Cite: bit.ly/espailat529

Caught! A/P pro nabbed over 300 check payments

Individual: Melissa Evans, former financial coordinator at a dental practice in Parkersburg, WV.

Violation: For embezzling money from her employer over the course of multiple years, she pleaded guilty to bank fraud.

Penalty: A judge will sentence her at a later time. Evans faces up a maximum of 30 years in prison.

Note: As a financial coordinator, her duties included managing accounts payable, performing data entry, accepting payments and preparing deposits. Secretly, Evans forged signatures and stole checks, then deposited in them into her personal bank account. In total, she took over 300 checks, stealing more than \$120,000.

Cite: bit.ly/evans529

Sharpen your judgment THE DECISION

(See case on Page 2)

No, Jenn's company lost. An appeals court reversed a lower court's decision in favor of the company, allowing Harry's case to move forward.

Jenn's company argued the ability to lift 100 pounds was an essential function in the job description. Since Harry couldn't do that anymore, he was no longer qualified for the job.

But the appeals court disagreed. It said employees can try to show a function isn't really "essential."

Making Technology Work for You

Make the case for virtual cards with these 3 research-backed statements

■ Show what no-touch payments can do for A/P

In today's digital, dispersed business world, A/P must be able to issue payments anytime, anywhere.

It's all about no-touch payments, says Neal Anderson, CEO of OnPay Solutions. And virtual cards are one of the top options in that arena.

Hard facts say it all

Of course, you need clear benefits and concrete evidence for your CFO. Here are three points you can use to make the case for virtual cards:

1. They're gaining popularity.

As mentioned (*see KAP 10/2/20*), companies are all about contactless or no-touch payments because they're often quicker, more secure – and in light of the coronavirus – safer.

The proof: 30% of companies are integrating virtual cards into their payments strategy. And virtual cards are the fastest growing B2B payment type as of 2020, per a PYMNTS study.

To maintain a competitive edge, your company will want to get on board sooner rather than later.

2. **They lead to cost savings.** When people hear “card payments,” they often think “fees.” But research shows that large-scale e-payments adoption could save business more than \$150 billion total each year.

With virtual cards, it's possible for A/P to issue payments at no cost. You can also receive a percentage (say, 1%) cash back via monthly rebates, explains OnPay Solutions.

3. Many vendors favor them.

Every vendor has a favorite payment method, and more than 30% now say they prefer virtual card payments above all other methods.

The reason: Virtual cards present the possibility of early payments. And vendors like being able to view remittance data in a system or portal.

Info: bit.ly/virtualcards529

Hey Excel, is that invoice number the right length?

■ How to count characters in a particular cell

Small data entry errors, like an invoice with a missing digit, can lead to big problems for A/P.

Fortunately, Excel provides an easy way to show the number of digits in a cell: the LEN formula.

To see the number of characters in a particular cell, you would simply type `=LEN(cell number)` in an empty cell and click **enter**.

Real-life uses

Essentially, the LEN formula can come in handy when you're checking a set of data for accuracy.

Here's an example: Let's say you have a recurring vendor that uses five-digit invoice numbers.

In Excel, if you had a list of their invoice numbers in Column A, you could type `=LEN(A1)` in cell B1. Then you could drag down Column B to apply this formula to all the cells.

The hope would be every cell in Column B would contain the number “5,” aka, a five-digit number.

But in a snap, you'd see if any of your invoice numbers are missing a digit (it'd say “4”), have an extra digit (it'd say “6”), etc.

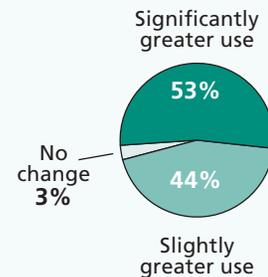
Of course, this formula isn't just useful for invoice numbers. You could use LEN to check that other values, like vendor zip codes, are the right length before using the data.

Info: bit.ly/excel529

How do you stack up?

Leveraging A/P data

How do you think your company's use of A/P data will change in the next few years?



Source: Esker, esker.com

There's no argument: In the future, companies will leverage A/P data more to make smarter business decisions. That's why it's essential to make sure you have clear visibility into well-organized data now.

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

■ When fast food leads to a not-so-fast legal dispute

It's not uncommon for companies to end up in court over a vendor dispute or a customer complaint.

And of all the various industries, food services may face some of the most bizarre court battles:

- A woman sued Wendy's after finding a fingertip in her chili. Turns out, she'd put the fingertip in there herself, hoping to score some big bucks from the lawsuit.
- A Starbucks customer took the coffee chain to court, claiming it filled cups with nearly half ice and skimmed on the coffee itself.
- A man was peeved to find that some of Krispy Kreme's fruit-flavored items didn't contain real fruit – and he filed a lawsuit.

Info: bit.ly/lawsuit529

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.

SERVICES

Depending on what services entail, they may or may not be taxable. Here's news from three states.

TEXAS – This one's for companies involved in the fracking industry.

The Texas Comptroller recently issued new guidance explaining that "flowback services" are taxable as rentals of equipment.

What exactly are flowback services?

They typically include "equipment and employees who install and remove the equipment." They also provide someone to supervise and adjust the equipment while it's in use (under the direction of the well operator).

Info: bit.ly/tx-529

NEW YORK – Paying for storage services? Where the facility is located could affect their taxability.

Case in point: A company in New York paid for record storage services in New Jersey. The vendor also provided courier services (i.e., pickup/delivery). So, it picked up the company's property in New York and took it to New Jersey, where it was stored. Payments were made on a monthly basis.

The question: Were the storage and courier services subject to New York sales tax or New Jersey sales tax?

The court said the total price for the initial sale of storage and courier services was subject to New York sales tax. But subsequent storage service charges (e.g., monthly bills) shouldn't be sourced to New York, since they occurred only in New Jersey – and that could result in double taxation.

Info: bit.ly/ny-529

GEORGIA – If your company uses medical record management services in the Peach State, here's new insight

on when they're taxable.

In a letter ruling, the Georgia Department of Revenue (DOR) said transferring medical records electronically (and similar electronic services that manage/process medical records) isn't taxable. On the other hand, transferring medical records in tangible format (i.e., paper) is taxable.

The DOR explained in Georgia, tangible personal property is generally taxable – but information or material delivered electronically usually isn't viewed as tangible personal property.

Info: bit.ly/ga-529

ECONOMIC NEXUS

As online sales become more common, states have to add more tax guidelines. Two states have news now.

CALIFORNIA – For A/P, drop shipment transactions are poised to get a bit simpler here.

Currently, California's marketplace facilitator regs and drop shipment regs don't align. So, the state proposed changes to:

- clarify certain marketplace sales aren't drop shipment transactions
- explain when drop shippers may calculate the retail selling price of their drop shipments based on their selling price of the property to the true retailer plus a markup, and
- offer more guidance on how one can overcome the presumption that they're a drop shipper.

Info: bit.ly/ca-529

ILLINOIS – Making payments for online purchases in the Prairie State?

Illinois has proposed new rules for marketplace facilitators and remote sellers. The state's calling it the Leveling the Playing Field for Illinois Retail Act, and it would impose new requirements beginning Jan. 1, 2021.

You can view details of the new Act on the Illinois Proposed Rules page (bit.ly/il-529).

You can also check out the state's new flowchart, which puts all the key details in a digestible, visual format (bit.ly/ilflow529).

SPECIAL EVENTS

When companies are involved in events, sales tax must be accounted for. Check out news from one state.

TENNESSEE – Partaking in special events in this state brings certain sales tax standards for A/P and A/R.

Tennessee recently issued guidance saying promoters of special events must register with the DOR and inform vendors of their tax responsibilities.

A "special event" is one that's held in the community for a short period of time, has vendors and features a theme like arts and crafts, home shows, etc.

Info: bit.ly/tn-529

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