



# 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.

February 15, 2021

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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.

## Wait! Review these IRS tips before filing 1099s

### ■ A quick roundup of reporting requirements

The holidays have passed, and year-end reporting is in full swing.

Given the pandemic, this tax season likely feels a lot different than seasons past. And while A/P's working hard to hit every deadline, you may want extra peace of mind that you're doing everything right to stay compliant.

Check out these two lists of recent IRS changes and IRS reminders, as presented by Mark Schwartz in a Premier Learning Solutions workshop:

#### IRS changes

The top regulatory changes to remember this year-end include:

#### 1. 1099-NEC versus 1099-MISC.

As you likely know, payments of \$600 or more for services of nonemployees and attorneys should now be reported in Box 1 of the 1099-NEC – not Box 7 of the 1099-MISC.

The 1099-MISC was adjusted to eliminate the input of a dollar amount into Box 7, and other box numbers were rearranged. Payments of \$600 or more for rent, prizes and awards, gross proceeds to attorneys, certain medical and healthcare payments and royalties over \$10 should still be reported on the 1099-MISC.

In terms of deadlines, 1099-NECs

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

### Independent contractor rule finalized – then frozen

#### ■ Will worker classification still get simplified?

There's recently been some back and forth regarding the DOL's big worker classification rule.

Previously, the DOL had proposed a new rule for determining if a worker is an independent contractor (IC) or an employee under the Fair Labor Standards Act (*see KAP 10/16/20*).

The rule uses an economic reality test, looking primarily at whether a worker is in business for themselves or is economically dependent on a company.

In early January 2021, under the Trump administration, the rule was finalized in the Federal Register with

an effective date of March 8, 2021.

But later in January 2021, under the new Biden administration, the rule was frozen (i.e., the effective date is stalled and it's indefinitely on hold).

#### Waiting it out

It's uncertain whether the rule will be allowed to take effect or if it will be challenged under Biden's new DOL.

As always, we'll keep you posted, so you can prepare and stay in line with any and all IC rules.

*Info: [bit.ly/classification533](https://bit.ly/classification533)*

# Information Return Compliance

## 1099s ...

(continued from Page 1)

were due to recipients and IRS by Feb. 1, 2021. 1099-MISCs were also due to recipients by Feb. 1, 2021, and they're due to IRS by March 1, 2021 (paper filing) or March 31, 2021 (electronic filing).

**2. E-filing threshold.** IRS recently modified the threshold for the required e-filing of most information returns, including 1099s and W-2s. The thresholds are 250 or more forms for tax year 2020, 100 forms for tax year 2021 and 10 forms for tax year 2022.

**3. Inconsistent TINs.** Heads up: Filers may be subject to information return penalties if the name/TIN on forms doesn't match the name/TIN used on their 94X series return. Schwartz says companies also shouldn't use the name/TIN of the filer's paying agent or service bureau.

**4. Updated forms and instructions.** IRS has converted many forms and their instructions from "annual updates" to "continuous use" (aka, they'll only be updated as necessary). It includes Forms 1097-BTC, 1098-C, 1098-F, 1098-MA, 1098-Q, 1099-CAP, 1099-LS, 1099-LTC, 1099-OID, 1099-Q, 1099-SA and 1099-SB.

### IRS reminders

Other reminders that A/P should keep top of mind this year-end are:

**1. TIN matching.** Did you know it's projected that those who validate TIN/name combinations before filing will get fewer backup withholding notices and penalty notices?

Remember that, even last minute, you can use TIN Matching to verify many 1099 forms, such as 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-K, 1099-MISC, 1099-NEC, 1099-OID and 1099-PATR.

**2. Paper filing and Form 1096.** Using paper forms? Your staff must send Copies A of all paper Forms 1097, 1098, 1099, 3921, 3922, 5498 and W-2G to IRS with Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*.

**3. Deadlines for certain recipient statements.** The deadline for providing statements to recipients for Forms 1099-B, 1099-S and 1099-MISC (if amounts are reported in Box 8 or 10) is Feb. 16, 2021. This also applies to statements created as part of a consolidated reporting statement.

**4. Backup withholding.** If A/P backup withholds on a payment, you must file the appropriate 1099 or W-2G with IRS, plus send a statement to the recipient to report the amount of the payment and the amount withheld.

Remember: This applies even though the amount of the payment may be below the normal threshold for filing Form 1099 or Form W-2G.

*Info: See the full workshop from Premier Learning Solutions at [bit.ly/1099reporting](http://bit.ly/1099reporting)*

## 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.*

### ■ Stress, medical issues: Was employee wrongfully fired?

"These are our discount capture goals for 2021," A/P Manager Jenn Smith said to Controller Matt Davis, pointing to a section on her spreadsheet. "And we ... " She looked up to see the controller's eyes glazed over. "Matt?"

Matt snapped to. "What? Oh, I'm sorry, Jenn. I should've rescheduled our meeting. I have a lot on my mind," he said. "I just found out early today that the accounting manager we let go is suing us."

### 'Stressful work environment'

"You mean Luke?" Jenn asked.

Matt nodded. "Yes. After I became Luke's director supervisor, we had a meeting that didn't go so well. He got so upset that he ended up calling his doctor."

"Oh, wow," Jenn said.

"Yeah," Matt said. "Then I got an email from Luke saying due to a stressful work environment and other medical issues, his doctor wanted him to take sick leave for a few days."

"And wasn't Luke terminated soon after that?" Jenn asked.

"He was," Matt confirmed. "And now he's suing our company, saying we should've realized he was ill and told him how to take FMLA leave."

Jenn sighed. "But is mentioning medical issues enough to qualify for FMLA leave?"

"I don't know what the court will think," Matt admitted.

When Luke sued Jenn's company, the company fought back.

Did it win?

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



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EDITOR-IN-CHIEF: ALYSSA EVANS  
aevans@CFODailyNews.com  
MANAGING EDITOR: RENEE COCCHI  
PRODUCTION EDITOR: P.J. FRONZEO  
EDITORIAL DIRECTOR: CURT BROWN

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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 Leveraged metrics to get executive buy-in

The top brass often saw Finance as a cost center, which meant we didn't always get buy-in for changes needed to boost efficiency.

We weren't viewed as an equal and valuable partner, and we wanted to change that.

We're numbers people. And we recognized that higher-ups at our company seemed to respond better to hard data than to requests with nothing to back them up.

So, we decided to focus on key finance and accounting metrics.

If we could show execs our current strengths and weaknesses, we figured our arguments for upgrades and staff would hold more weight.

### Truth in numbers

Using data from our current accounting system, we did calculations to figure our accuracy rates.

Some specific examples of rates we looked at were:

- how many errors were on checks
- the total time for processing payments, and
- how much was spent per check.

After, we used these metrics to figure out exactly how much money and time technological upgrades and new hires could save the company in the long haul.

Once we presented the top brass with these figures, they were more willing to make the necessary changes that Finance needed.

Lesson learned: Hard evidence and numbers are key.

*(Adapted from "HR/Payroll/Time Metrics: Turning Data into Meaningful Information," presented at the American Payroll Association Congress, Long Beach, CA)*

## IMPROVING YOUR OWN A/P PROCESS

## 2 How I manage my multigenerational team

It can be challenging to lead a bunch of different A/P staffers with unique opinions and ways of working.

Throw generational differences into the mix, and things can seem even more daunting.

We've been told time and again that each generation – baby boomers, Gen X, millennials, Gen Z – has different values and needs, so they should be treated differently.

But I wasn't convinced that was the

only – or best – way to look at things.

### Unconventional take

Despite what we're told about different generations needing different treatment, I had read lots of research that essentially said turnover comes down to: "Do I trust my boss?"

So, I take an unconventional approach with my multigenerational A/P team. Instead of segmenting people into generational groups, which creates silos, I aim to tear down silos.

Sure, I could try to place people

in groups – but not everyone is going to fit perfectly in those groups.

I also know I can't go in with assumptions about millennials, baby boomers, etc. (There could be one millennial who loves technology and another who doesn't.)

It's important to get to know my team as individuals – to learn their talents, skills, goals, etc. That's what will truly create a successful multigenerational team.

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

## 3 Policies must pass the 'remote work test' now

Like many companies, the pandemic forced us to rebuild for a remote workforce.

And a big part of that was taking a step back to re-evaluate our policies.

For them to be effective, we had to switch to a remote mindset.

### 'At-home approved'

Now, every new policy and practice needs to pass the "Will this work for

remote work?" test.

The same goes for established policies and practices. We look at how to adapt them for working from home (or eliminate them).

For example, during the pandemic, one of our favorite new hire traditions had fallen by the wayside.

Before, in person, we typically put together a group of several employees from across functions who started around the same time. They'd do general training together and interact quite a bit, sharing their new employee experiences, which helped them get

engaged and make connections.

But for remote work, we had to shift the program for new employees who might not set foot in an office.

So, we get groups together over video and help them do same kind of training and experience-sharing.

Ensuring all our policies and practices lend to a remote work environment has helped keep everyone engaged and effective.

*(Sameer Chowdhri, Global Head, Workplace for HR, Facebook, Menlo Park, CA)*

# 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 COMPLIANCE

Getting employees to comply with T&E policies – especially in today's trying times – is no simple task.

With compliance, many companies are familiar with “the carrot and stick” approach. The “carrot” part uses incentives to inspire good habits. The “stick” part uses consequences to keep people in line.

Is one tactic better than the other? What are the pros and cons of each?

The experts at Travel Weekly are weighing in to help A/P.

### The carrot approach

**Pros:** Positive reinforcement – like gift cards, flight points and verbal praise – can motivate employees to adhere to policy. Some companies also split savings with employees who book cheaper deals, which for many creates plenty of incentive to spend wise.

**Cons:** A lot of companies feel they shouldn't have to reward employees for following the rules and doing what's right, says travel expert Will Tate. Plus, cheaper choices could negatively impact business (e.g., an employee who picks

the cheaper red eye flight might be tired for an important client meeting).

### The stick approach

**Pros:** There's no messing around. Employees know the rules and the consequences for noncompliance. They may be more likely to comply out of fear of negative outcomes, like revoked corporate cards or mandated training.

**Cons:** It's hard to crack down on employees you don't want to lose, says CEO Alan Hess. You don't want to slam people too hard with policy because they may get frustrated and look elsewhere if they're hassled too much when just trying to do their job.

### Final takeaway

Overall, when looking to increase T&E compliance, companies must decide between – or create a balance of – rewards for good behavior and repercussions for bad behavior.

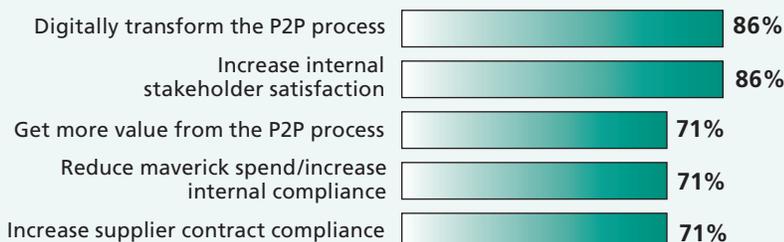
Success with this will depend on your specific corporate culture, experts say. So, consider your culture – how leaders act, what employees expect – when deciding how to proceed.

*Info: [bit.ly/compliance533](http://bit.ly/compliance533)*

## Goals for Purchase-to-Pay

### What are your top P2P objectives?

*Note: More than one answer accepted.*



Source: The Hackett Group, [thehackettgroup.com](http://thehackettgroup.com)

The Purchase-to-Pay (P2P) process is vast and complex, making compliance difficult with both internal and external parties. But adding more automated controls – that spot maverick spend, verify contract compliance, align actions with policies, etc. – can help you meet all of these top five P2P objectives.

## TEST YOUR KNOWLEDGE

### Online purchases: Do you know the facts about fraud?

As the online marketplace becomes a more common way for employees to buy products and services, companies must be on the lookout for instances of fraud.

Knowing how criminals operate can help you do just that in A/P.

Answer *True* or *False* to the following to see how much you know about online fraud:

1. Since many companies have more controls and approvals in place for large purchases, fraudsters typically make small purchases in an attempt to go undetected.
2. Once fraudsters have your company's account credentials, they'll use them ASAP.
3. If fraudsters have access to your account, they'll generally keep using it as long as they can.
4. To keep a low profile, most fraudsters commit fraud at night, when companies are less likely to notice suspicious activity.

## ANSWERS

- Cite: [bit.ly/onlinefraud533](http://bit.ly/onlinefraud533)*
1. *False.* Fraudsters tend to make large purchases. If a typical order is about \$910, a fraudulent one is about \$3300, according to Sift, a leader in digital trust and safety. 2. *True.* Fraudsters won't lie in wait. Sift says a compromised account's activity can spike tremendously within a week of the takeover.
  3. *True.* Criminals will usually keep pushing the limits and using your account if they haven't been caught, Sift explains.
  4. *False.* Remember that fraudsters want to mirror real transactions, Sift says. So, they're going to make purchases around the same time your company normally would, hoping they slip by unnoticed.

**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.

## How to avoid TIN problems, prevent backup withholding

According to IRS regulations, if a vendor doesn't supply you with their tax ID number (aka, TIN), you must withhold the tax.

But this can be burdensome for A/P, considering the time and cost it takes to withhold and submit the taxes.

What can you do? Control it at master vendor file level, recommends A/P expert Judy Bicking.

Create a company policy that says, "No tax ID, no payment." And make sure anyone with purchasing power or payment power at your company fully understands it.

## 2 ways to encourage people to share more best practices

Most employees have their own best practices. But they may not share them because they don't realize their clever hacks could benefit others.

To spread them around more:

1. **Create a best-practice procedure.** Ask employees who are really good at certain tasks how they do them, noting the things they successfully do differently. Then pass their ideas along in training or messages.
2. **Add it to your routine.** Make best-practice sharing a part of the agenda. Add it to a monthly meeting, weekly email, etc. Have employees take turns sharing ideas.

*Info: [bit.ly/sharing533](https://bit.ly/sharing533)*

## Sales tax on services: 5 states that embrace it, 5 that don't

With sales and use tax, services are one of the trickiest categories. Some services are taxable; others aren't.

But some states are definitely more in favor of taxing services than others.

To get an idea of when you can or can't expect sales tax on services, check out this insight from Avalara:

- Five states that tax many services are Connecticut, Hawaii, New Mexico, South Dakota and West Virginia.
- Five states that don't tax a lot of services are Alabama, Florida, North Dakota, Oklahoma and Utah.

*Info: Avalara webinar, "Top 10 Sales Tax Rules to Live By"*

## Don't forget this critical step of performance reviews

A/P managers know that providing staffers with regular feedback is key.

But there's one performance review step that may get overlooked: the follow-up. Without it, it's impossible to know if the improvement plans discussed are being put into action.

Be sure to wait about a month after your initial talk to follow up, giving the staffer time to change how they work. Then going forward, continue to check in monthly or quarterly.

And along with these more formal meetings, you can provide day-to-day, impromptu feedback for staffers, too.

*Info: [businessmanagementdaily.com](https://businessmanagementdaily.com)*

### SOFTWARE SKILL BOOSTER

## 5 steps to embed an Excel spreadsheet in a document

Creating a report? Want to include an Excel spreadsheet in a Word file?

Just follow these steps:

1. Copy your Excel data.
2. In the Word doc, place your cursor where you want the data to go.
3. On the Home tab, click the *Paste* drop-down arrow, then *Paste Special*.
4. In the window, select *Microsoft Excel Worksheet Object*.
5. Choose *Paste Link*, then click *OK*.

*Info: [bit.ly/embed533](https://bit.ly/embed533)*

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

### PAYABLES NEWS

#### ■ IRS guidance: Unused fringe benefits due to COVID-19

Many employees likely haven't used their transportation fringe benefits fully from 2020 due to the pandemic, and they may ask Finance if they can roll over the benefits or adjust their pay somehow.

Here's what you can tell them: Refunds in cash aren't allowed. But IRS has said employees can take the unused amount they set aside for one qualified transportation fringe benefit, like transit passes, and apply it toward another one, like parking. That's according to a recent information letter from the IRS Office of Chief Counsel.

Remember: Any rollover funds applied can't cause the total set aside for that particular benefit to exceed the max allowed per month.

*Info: [irs.gov/pub/irs-wd/20-0024.pdf](https://irs.gov/pub/irs-wd/20-0024.pdf)*

#### ■ Where are companies looking to spend their money now?

The coronavirus pandemic forced companies to quickly shift priorities and budgets. They scaled back on certain costs like travel and events.

So, where will that money go now? A ServiceNow survey of execs discovered that the top areas of spending are:

1. digital transformation (57%)
2. beating out new business (45%)
3. research/development (43%), and
4. marketing/advertising (42%).

*Info: [bit.ly/spending533](https://bit.ly/spending533)*

#### ■ Survey says: The 1 word you need to keep staff engaged

To ensure your staffers are happy and engaged, there's one thing A/P leaders should focus on now.

Create a sense of *belonging* in your department and beyond.

Belonging – a connection to people and place – was found to be the top employee experience driver for engagement and well-being, per a study by Qualtrics XM.

*Info: [bit.ly/belonging533](https://bit.ly/belonging533)*

# Why A/P must turn its attention to Form 1042-S compliance now

### ■ IRS increasing scrutiny of these complex forms

How confident are you that your staff is accurately and timely filing Forms 1042-S?

You'll want to be *very* confident, because IRS has its eye on those information returns.

Recently, the Treasury Inspector General for Tax Administration (TIGTA) released a performance audit, looking at the Service's processes for Forms 1042-S.

### What's in the works

It found that over the past several years, IRS's desire to better enforce Form 1042-S compliance has increased greatly.

For example, in 2018, the Service created a new enforcement campaign for Form 1042-S compliance. It also updated its procedures manual for Form 1042-S audits.

All in all, the Service knows how complex 1042-S reporting can be for you, and it's looking to close compliance gaps, say the finance experts at Refinitiv.

For A/P pros, more federal scrutiny

means more reason to ensure your staff is following IRS's Form 1042-S requirements to a T.

### Shifting focus

Since most companies bring on more U.S. workers versus foreign workers, companies often put a lot of emphasis on 1099 compliance.

But you know that reporting requirements for nonresident aliens are lesser known and arguably more complex (e.g., there's only one W-9 for U.S. vendors but five different W-8s for foreign vendors). So, A/P pros dealing with foreign workers need to look just as closely – if not closer – at these forms.

And even if your company doesn't work with many nonresident aliens yet, you should still familiarize yourself and your staff with the all requirements.

Cross-border business relationships are becoming more and more common, and you never know when your company will suddenly start fostering them.

*Info: [bit.ly/1042s533](https://bit.ly/1042s533)*

leave. In other words, briefly alluding to medical issues or mentioning the doctor's suggestion to take sick leave wasn't enough, the court ruled.

### Analysis: Know the process

As the coronavirus pandemic rages on, requests for sick days or FMLA leave may rise.

That's why it's essential for A/P managers, who may be dealing with these requests more frequently than before, to get proper training on how to handle them. And when in doubt, turn to HR or other legal pros.

*Based on Gardiner v. City of Philadelphia. 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.*

### Inflated invoices lead to lengthy prison sentence

**Individual:** Louis Normand, former owner at National Truck Funding and American Truck Group in Gulfport, MS.

**Violation:** After his scheme was brought to light, Normand pleaded guilty to bank fraud.

**Penalty:** A judge sentenced him to serve 57 months in prison, followed by five years of supervised release. He also must pay \$1.6 million in restitution.

**Note:** Normand received financing from local banks and private lenders to buy trucks for resale. For several years, he created fraudulent invoices that inflated the purchase prices of the trucks, so he could increase the money received from his lenders. The investigation found Normand was loaned almost \$5 million – 130% of the trucks' purchase prices.

**Cite:** [bit.ly/normand533](https://bit.ly/normand533)

### First earned trust, then embezzled: \$900K gone

**Individual:** Neydi Garcia, former CFO at Staben Bros Inc. in Santa Paula, CA.

**Violation:** Garcia was charged with 12 felony counts, including grand theft and identity theft. She has pleaded not guilty.

**Penalty:** The outcome of this case is yet to be determined.

**Note:** Garcia began working for the company in 2016 and, after earning the president's trust, became CFO. She allegedly embezzled more than \$900,000 from the president's personal accounts and business accounts. This went on for more than two years before the fraud was uncovered.

**Cite:** [bit.ly/garcia533](https://bit.ly/garcia533)

## Sharpen your judgment THE DECISION

*((See case on Page 2))*

Yes, the company won when an appeals court dismissed Luke's case.

Luke argued that he informed his supervisor about his medical problems. The company should have acknowledged he was ill and told him how to correctly take FMLA leave.

But the court didn't agree. It said Luke's email to his supervisor about his doctor and his medical issues didn't provide enough evidence to determine if he qualified for FMLA

## Effectively communicating the ‘Why?’ of payment automation

### ■ 4 important points to hit on

You know digital payables is the way of the future.

But saying, “Manual processes are slow,” typically isn’t enough to convince others at your company.

What will it take?

### Get their attention, support

You can use four key points – what Derek Halpern of Nvoicepay calls “The Four Es of Going Electronic” – to make a strong case:

**1. Economics.** It’s time to talk dollars. Find out how much it costs to process checks ... what you spend on ink, paper, stamps ... how much is spent in labor hours. (See Page 3 for a related story on how one finance pro successfully used numbers in their case for automation.) Also, focus on what tasks A/P could do instead if you got rid of checks and had more free time.

**2. Efficiency.** Executives think big picture, so don’t purely focus on

eliminating paper checks. Show how automation can streamline other facets of the process – from approvals to three-way matches to compliance checks – for overall higher efficiency.

**3. Experience.** This isn’t just about A/P. It’s about vendors, too. Execs want to build strong relationships, so talk up the experience for vendors.

Things like faster payments, more security, easily accessible data and better communication/conflict resolution through software could all lead to happier vendors and more fruitful business relationships.

**4. Ease of implementation.** As much as companies want to automate, a lack of internal resources can get in the way. That’s why this last piece is crucial. Show how easy, quick and nondisruptive implementation can be with a trusted provider – one that’ll be there to help you going forward, too.

Info: [bit.ly/automation533](http://bit.ly/automation533)

## Avoiding the security risks of computer webcams

### ■ How hackers are taking advantage of the remote work setup

Working from home is a part of the new normal, and virtual meetings have become second nature.

Chances are, you’ve gotten familiar with programs like Microsoft Teams, Google Classroom, Zoom, Skype or GoToMeeting.

The only problem: Once you and your staff start using these products, the webcam on your phone, tablet or laptop can become more vulnerable to “camfecting.”

Malicious hackers can activate device webcams, and – until you notice the webcam light’s on – you won’t know you’re being spied on.

And the scariest part: Many webcams are easily accessible to

hackers without them having to actually do any real hacking, according to MalwareBytes Labs.

### What you can do

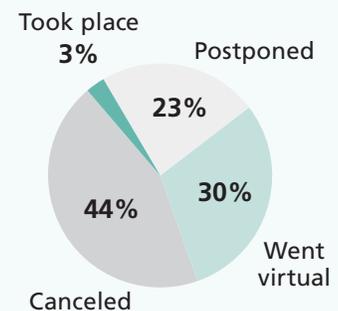
Here are some basic ways you and your staff can avoid security issues:

- **Add tape.** The simplest solution to avoid being spied on is to place a strip of black tape over your webcam when you’re not using it.
- **Watch for the light.** Fortunately, hackers haven’t figured out a way to deactivate the activation light in webcams yet. So, if you see your webcam light’s on, shut down the device and contact your IT department for help.

## How do you stack up?

### Biz travel disruption

What happened to planned business trips during COVID-19?



Source: BCD Travel, [bcdtravel.com](http://bcdtravel.com)

Nearly all (97% of) biz trips were shifted due to COVID-19, meaning A/P had to manage cancellations, changes and more. That’s why you need a swift, streamlined process for handling modified travel plans.

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

### ■ Words you never want to hear in Accounts Payable

There are certain words and phrases accounting pros never want to hear – but sadly, they do.

Here are some A/P “swear words” you’d likely love to banish from your department:

- account on stop
- signatory out sick
- month-end
- invoice missing
- unidentified
- no credit terms
- auditors
- unreconciled
- paid twice
- no P.O., and
- overpaid.

Info: [bit.ly/words533](http://bit.ly/words533)

## 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

Some states are looking to change their tax rules for online sales. Check out updates from three of them.

**FLORIDA** – Heads up if you work in the Sunshine State! Economic nexus rules could be coming this year.

Recently, the state proposed new remote sellers and marketplace facilitator legislation.

If passed, remote sellers and marketplace facilitators that make more than \$100,000 in Florida sales each year would have to collect sales tax from you beginning July 1, 2021.

There is an exception to this rule for travel agency services, delivery network companies and payment processor businesses.

We'll keep you posted.

*Info: bit.ly/fl-533*

**ILLINOIS** – This one's for A/P pros paying for online purchases here.

Recently, we told you the state had proposed new rules for marketplace facilitators and remote sellers in its Leveling the Playing Field for Illinois Retail Act (see KAP 12/7/20).

Those new rules became effective on Jan. 1, 2021.

See a summary of the changes and Illinois's official page for the Act below.

*Info: bit.ly/ilsum-533, bit.ly/il-533*

**MISSOURI** – Here's another place where economic nexus regulations could soon be enacted.

Missouri has proposed legislation that would require remote sellers and marketplace facilitators to collect sales tax from you if they make more than \$100,000 in Missouri sales per year.

If this legislation passes, those requirements would become effective Jan. 1, 2022.

Stay tuned for more.

*Info: bit.ly/mo-533*

### ONLINE PLATFORMS

Today, companies use a variety of online platforms to work efficiently, and A/P must know if they're taxable. Here's insight from two states.

**NEW YORK** – Do you get invoices for digital advertising platforms in New York? Check out this case.

A vendor sold digital advertising products, as well as advertising placements and consulting services, to customers through an online platform. Customers essentially used it to create and manage their digital advertising.

Was access to this platform taxable?

Yes, the state said. It was taxable as a sale of prewritten software. And although the accompanying services were nontaxable services, because customers were billed a single amount, the total price was taxable.

*Info: bit.ly/ny-533*

**INDIANA** – Lend an ear if you pay for social media platforms here.

A proposed bill would add a surcharge tax for social media providers that derive a substantial amount of money from advertising services on their platforms.

The surcharge would be equal to:

- the annual gross revenue derived from social media advertising services in Indiana each year, multiplied by 7%, plus
- the total number of the social media provider's active Indiana account holders in a year, multiplied by \$1.

If passed, it would go into effect on Jan. 1, 2022.

*Info: bit.ly/in-533*

### AMNESTY

Occasionally, states will offer tax amnesty to help companies get in compliance. One state is doing so now.

**NEVADA** – Good news if you do business in or with this state.

There's a tax amnesty program for a variety of taxes, including sales and use tax. The program is running from Feb. 1, 2021 through May 1, 2021.

Penalties and interest (P&I) can be waived on your outstanding liabilities if the outstanding tax:

1. was due on/before June 30, 2020
2. is paid in full for the period, and
3. is paid during the amnesty period mentioned above.

A note on the second requirement: If your company has multiple late returns but can only pay one or more periods, P&I can be waived for each period the tax is paid in full.

*Info: bit.ly/nv-533*

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