



# 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.

March 1, 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.

## 5 sales tax trends that will affect payments this year

### ■ Stay ahead of the curve in 2021

The current climate has called for a change in how people do business – and that impacts sales tax practices and regs, too.

What sales tax trends and forecasts do A/P pros need to know now?

Avalara's 2021 sales tax changes report provides some answers and insight. Here are five topics addressed that affect your job the most:

#### 1. Ecommerce and online sales

A world already veering digital, paired with a global pandemic that shut down face-to-face business, has made ecommerce a popular way to

buy and sell. In fact, during Quarter 3 of 2020, about \$1 out of every \$5 spent came from online purchases, according to Digital Commerce 360.

And thanks to the 2018 *South Dakota v. Wayfair* case, which gave states the ability to tax online sales, many ecommerce purchases you pay for now include sales tax.

As you know, even years later, states are still creating and tweaking online sales tax rules. And unfortunately, you can't blindly rely on sellers to get them right. To avoid compliance or tax liability issues, it's important for A/P to act as a backup – ensuring online

*(Please see Sales tax ... on Page 2)*

### More IRS small business audits coming in 2021

#### ■ The Service has big compliance goals for this year

Is A/P prepared for an IRS audit? You'll want to make sure now.

The Service plans to increase audits of smaller businesses and their investors by around 50% in 2021, according to IRS official De Lon Harris.

Harris explained that for a while, IRS maintained low audit rates, due to time and effort constraints. But this year, it's looking to change the trend.

#### Who's a target?

"Smaller businesses," could mean anyone from mom-and-pop shops to

tech startups – those that in the past may have only faced occasional checks from IRS, added AccountingToday.

Harris specifically said IRS wants to boost compliance activity in this area of not only partnerships – but investor returns related to pass-through entities.

Whether your company falls within this category or not, noting IRS's desire to up audits should be enough to keep A/P on its toes. For peace of mind, you may even want to review your audit practices and recordkeeping system.

*Info: [bit.ly/audits534](https://bit.ly/audits534)*

# Sales Tax Regulations

## Sales tax ...

(continued from Page 1)

sellers are charging you the correct sales tax – and not charging you sales tax when they shouldn't.

### 2. Economic nexus laggards

Florida and Missouri are the only two states with state-level sales tax that still don't have economic nexus requirements for online sellers. But 2021 could be the year they finally adopt such rules. Both states have legislation circulating:

- **Florida:** Senate Bill 126 and House Bill 159 were postponed when the legislature adjourned early due to COVID-19, but they could be considered again. Both of their effective dates were July 1, 2020.
- **Missouri:** House Bill 2 would require remote sellers to collect sales tax from you. If passed, the effective date of the legislation would be Jan. 1, 2022.

### 3. Marketplace facilitators regs

Along with remote seller regs, Florida and Missouri haven't passed marketplace facilitators regs either. And there's only one more state that has yet to pull the trigger: Kansas.

In 2020, Kansas lawmakers brought forth several marketplace facilitator bills, but none came to pass. The topic is likely to resurface in 2021, Avalara says.

If your company does business in or with these three states, stay sharp for potential changes. (As always, we'll relay any updates on Page 8.)

### 4. Compliance crackdown

Because of all the complications that came with online sales taxation, many states provided some leeway or time for sellers and payees to adapt. But since it's been nearly three years since *Wayfair*, states' patience is dwindling, Avalara explains. And due to the pandemic, states need online sales tax revenue now more than ever.

That's why A/P should expect a crackdown on compliance. States will be scrutinizing the sales tax you pay more than ever to make sure they're getting their due.

### 5. More sales tax triggers

As mentioned, digitization and the pandemic have changed the way people work. As a result, more products could now trigger sales tax collection (and in more places). Two examples are:

- **Virtual events:** Due to COVID-19, many normally in-person events went virtual. And the more traction this trend gets, the more states will look to tax virtual events.
- **Software:** When software's being used in multiple states, providers have to abide by multiple states' laws. This can spur more sales tax complexities and errors.

*Info: [bit.ly/salestax534](https://bit.ly/salestax534)*

## 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.*

### ■ Didn't backup withhold – but was IRS's assessment undue?

"I must admit, I was curious when you asked to chat," A/P Manager Jenn Smith said to her neighbor and local business owner, Carl Perkins. "What's going on?"

"Well, I know you're an expert with accounting," Carl said. "I was hoping I could get your advice on something. It involves 1099s and backup withholding."

"I'm all ears," Jenn said.

### Incomplete 1099s

"So, I have to file 1099s to report payments for subcontractors, and I take deductions on my Form 1040," Carl began. "The problem is, the 1099s didn't include subcontractors' Social Security numbers."

"So, did you backup withhold?" Jenn asked.

Carl shook his head. "In turn, I also didn't file Form 945. And I know that was a mistake. But now, after all this time, IRS is saying I owe a *huge* amount in backup withholding liabilities, penalties and interest."

"Oh, jeez," Jenn sighed.

"It's ridiculous," Carl said. "I mean, I still filed Forms 1099 and 1040 – and that should be enough to trigger the statute of limitations."

"So, essentially, you think IRS is too little too late?" Jenn asked.

"Exactly," Carl said.

Eventually, the dispute between Carl and IRS was presented to a federal trial court.

Did Carl convince the court that the statute of limitations should've applied and he shouldn't have to pay IRS's high-dollar assessment?

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



Keep Up to Date on  
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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 **Reduced invoice, P.O. match discrepancies**

For A/P, invoice and P.O. match discrepancies were a big problem, and we wanted to get to the bottom of it.

Whenever an invoice and a P.O. conflicted with each other, we couldn't pay the vendor until the discrepancy was resolved.

This took up a lot of time, and it could negatively impact our vendor relationships if things got held up for too long.

After looking into the situation more, we discovered the main source of our match problem was that

we had a really high volume of missing receipts.

### **Problem-solving mindset**

So, we got together with the manager of Receiving and some of their team to discuss the issue.

We found out from them that there were some vendors that weren't putting P.O.s on their packages.

Often, Receiving had to open packages to get to the packing slip and specific numbers and details.

In turn, the missing receipt problem flowed down to A/P for us to try

to figure out and correct.

Here's what we did to fix it: We looked at the structure of P.O.s that get dispatched and decided to provide more information for vendors.

We also created a new policy that said each order's P.O. was required to be on the package.

This collaborative communication and problem solving helped reduce our match discrepancies and missing receipts issues.

*(Jill Ulliman, Director of A/P, OhioHealth Corp., as presented at the A/P P2P Conference & Expo, Las Vegas)*

## **IMPROVING YOUR OWN A/P PROCESS**

## 2 **Calendars help us track year-end to-do items**

For our finance and accounting staff, keeping track of filing deadlines for 1099 and W-2 forms often felt like a juggling act at year-end.

And as if that wasn't enough, we also had industry-specific tax forms to worry about.

How could we stay on top of it all?

### **Everything at a glance**

To make sure we met all important federal filing deadlines without any

surprise issues arising, we decided to use "quality calendars."

These calendars are prominently posted on a bulletin board for our whole department to see.

They list project timeline goals for completing all the required tax forms, so it's clear what task needs to be accomplished by when.

Everyone has to sign off on the calendar to show they finished what they were supposed to do each week.

So, when my boss needs to know the status of a specific year-end duty

or process, we can provide a snapshot of what's already been handled and what still

needs to get done.

Each staffer also has an individual quality calendar they sign off on for their own specific responsibilities and tasks.

This promotes accountability and ensures our team completes all year-end reporting on time.

*(Kathy Ross, Controller, Illinois Valley Community College, Oglesby, IL)*

## 3 **Adjusted work hours for new remote normal**

When the coronavirus pandemic took the world by storm, we quickly moved almost all of our employees to working from home.

Like most companies that did this, we navigated the new situation day by day. Some days, hour by hour!

We tried to keep things as normal as possible to help employees transition into the new work situation.

For one, we made it a rule not to have meetings before 9 a.m., between

12 p.m. and 1 p.m. or after 5 p.m.

Our intentions here were good – we didn't want to tread on employees' personal time.

### **What works best**

Turns out, that was a mistake!

We quickly found out that our assumption about what worked best for employees wasn't exactly true.

Fact is, many employees had to care for other family members or help children with virtual school during regular work hours.

As a result, they told us, they preferred working and meeting at odd hours of the day.

We listened, and most teams or groups that had to meet found times that worked best. Sometimes that's early in the morning, other times that's late at night.

Bottom line: With remote work, it's important to not just do what *seems* right – but to find out what's actually best for your specific people.

*(Jeff Cates, CEO, Achievers, Toronto, ON, Canada)*

# 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.

## EXPENSE FRAUD

It's just another workday in A/P, when all of the sudden, your eye catches something suspicious.

Maybe it's an employee expense that seems a little off. Maybe it's a blatant case of T&E fraud.

Either way, you know you need to take action – now. And though time is of the essence, you want to be sure you handle the situation appropriately.

### 4 critical steps

How should A/P respond if you suspect an employee of expense fraud? Check out what the finance pros at CFO recommend:

**1. Seek expert input.** First, it's important to consult with whomever your company has designated to handle these situations – your CFO, a corporate lawyer, etc. You may also need to dig deeper with the help of a fraud professional, like a forensic accountant.

**2. Gather the evidence.** Once you've discussed the situation with your go-to pro(s), you'll need to round up all the documentation

pertaining to the fraud to create a paper trail, assess the losses, etc. Be sure to include the employee's details, as well as any past history of misuse or work-related issues. Once all the evidence is compiled, you should be able to determine a timeline and comprehension of how the fraud occurred and the losses that resulted.

**3. Start an investigation.** If you have enough to move forward at this point, the next step should be a formal investigation. Again, a lawyer or fraud professional can do a lot to help manage the investigation, from identifying those involved to creating documentation and evidence that may be needed in court.

**4. Notify other relevant parties.** If your company has insurance coverage, you'll want to inform your provider and file any necessary loss/claim paperwork. Depending on the situation (i.e., how small or big the infraction is), some companies may opt to handle the situation internally. But if your company is moving forward with criminal charges, law enforcement should be informed as soon as possible.

Info: [bit.ly/fraud534](http://bit.ly/fraud534)

## TEST YOUR KNOWLEDGE

### ■ DOL: Expense reimbursements and the regular rate of pay

Certain types of expense reimbursements can be excluded from workers' regular rate of pay, and the Department of Labor (DOL) recently updated its regulations to clarify this.

Are you familiar with what's currently allowed under the law?

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

1. Expense reimbursements must solely benefit the company to be excluded from the regular rate.
2. If expense reimbursements are larger than what the employee actually spent, the excess should be counted in the regular rate.
3. Reimbursements for cell phone services, credentialing exams and membership dues are excluded from the regular rate.
4. Any travel reimbursements that exceed the costs set by the Federal Travel Regulations must be included in the regular rate.

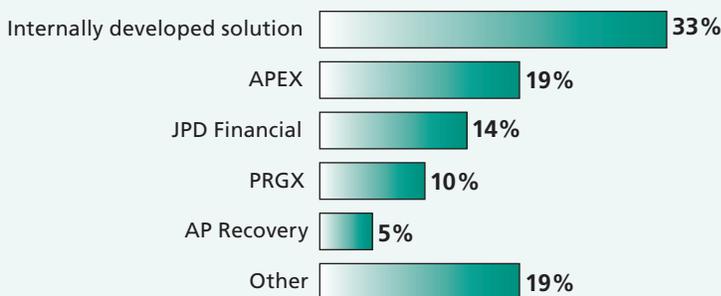
## ANSWERS

1. *False.* While the regs originally included the word "solely," this wasn't the intent of the law, says the DOL. The Fair Labor Standards Act (FLSA) allows any expenses that were incurred in the company's interest to be excluded from the regular rate.
2. *True.* Only the actual amount or a reasonably approximate amount can be reimbursed and not count as part of the regular rate.
3. *True.* The DOL updated the text of the regs to clarify that these reimbursements can be excluded.
4. *False.* Per the regs, amounts reimbursed in excess of these rates for work travel can still be excludable in certain cases.

Answers to the quiz:

## Auditing duplicate payments with software

### What solution provider do you use for duplicate payment auditing services?



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

Whether you use a third-party or an in-house solution, it's vital to audit duplicate payments consistently. According to Peeriosity, one company credited its success in controlling duplicate payments to a three-part approach: system checks, a duplicate review tool and an external partner review.

# Performance Boosters

## PAYABLES NEWS

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.

### **A checklist to help with onboarding new vendors**

A/P knows better than most just how critical vendor onboarding is.

Others, like Purchasing, may not fully understand all the steps that go into it – compliance checks, address confirmation, banking verification, etc.

What can you do? Make and share a checklist of all the things that must be done before a purchase is made, recommend the pros at InvoiceInfo.

In addition, provide an estimated timeline of how long steps will take. Purchasers will be motivated to get started ASAP, so they can get to the buying stage.

*Info: [bit.ly/onboarding534](http://bit.ly/onboarding534)*

### **4 strategies to successfully manage millennial staffers**

Have millennials on your A/P team? As time goes by, they're making up a larger part of the workforce.

And research from Great Place to Work says millennials stay longer and are more engaged when managers:

1. **Listen.** Check in regularly, and verify staffers get the development and coaching they want and need.
2. **Be authentic.** Professionalism is a must, but it's also important to connect on a personal level.
3. **Promote an equitable environment.** Millennials want to see everyone is treated equally and fairly.
4. **Share the big picture.** Help staffers feel like they're a part of something significant and meaningful.

*Info: [bit.ly/millennials534](http://bit.ly/millennials534)*

### **A little strapped for cash? 3 options A/P can suggest**

These are trying times for many companies, and yours may want to conserve cash right now.

With key vendors, you could suggest:

1. **Increased credit limits.** Vendors are grateful when you stick with them in hard times, so they may be willing to increase your credit limit to show they still appreciate your business.
2. **Partial payments.** Can't swing a big payment? Propose partial payments, which could help with cash flow.
3. **Modified deadlines.** Often, just a little extra time can help. Relaxed deadlines can signify that both sides won't penalize small holdups.

*Info: [bit.ly/cashflow534](http://bit.ly/cashflow534)*

### **Going paperless: Be sure to practice what you preach**

If you want your company to fully embrace the digitized future, it's key to take those steps even in small ways.

For example, are you still handing out agendas at meetings? If so, you want to make changes to promote a more paperless environment.

To do that, Jovim Ventura, founder of InoPrints, switched to "paperless meetings." He uses a large screen to go over key figures, reports and projects. Employees take notes, make lists and set appointments in Notepad, Google Tasks and Google Calendar.

## SOFTWARE SKILL BOOSTER

### **Ready, set, repeat! Here's how in Microsoft Excel**

Do you ever wish you could repeat an action quickly and easily in an Excel spreadsheet?

There's a shortcut for that.

Just click the F4 key to repeat your last edit.

For example: You could press it to paste a value a second time, insert a formula again, etc.

*Info: [bit.ly/excel534](http://bit.ly/excel534)*

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

### **State says these workers can be independent contractors**

Heads up: New regulations in California allows specific drivers to be independent contractors.

Specifically, Proposition 22 says app-based ride-share services (e.g., Uber, Lyft) and food delivery services (e.g., DoorDash) can treat drivers as independent contractors if they meet certain criteria. Companies do still have to provide certain benefits to these workers, though.

This reg is specific to the Golden State, but it could inspire action from other states, so stay tuned.

*Info: [bit.ly/caics534](http://bit.ly/caics534)*

### **Price hike! IRS increases fees for private letter rulings**

Does your company ever request private letter rulings from the IRS Office of Chief Counsel? That cost will be higher in the future.

As of Feb. 4, 2021, the Service increased the fee for a private letter ruling almost 27%.

IRS decided to increase the fees based upon data on the average time it takes to respond to a request, plus other factors like average attorney costs and overhead.

*Info: Revenue Procedure 2021-1, [irs.gov/irb/2021-01\\_IRB](http://irs.gov/irb/2021-01_IRB)*

### **Survey: Will Finance refill roles cut during COVID-19?**

If your department had to lay off or furlough workers recently, here's some good news.

A survey from staffing company Addecco asked companies if they plan to back-fill jobs that were eliminated due to COVID-19. ("Back-fill" means to fill a position after an employee moves to another role, quits, loses their job, etc.)

The result: The vast majority (70%) of respondents said they plan to back-fill jobs – and 46% in Finance and Accounting stated they would definitely do so.

*Info: [bit.ly/staffing534](http://bit.ly/staffing534)*

# A challenge for Finance: Beating the winter blues and burnout

■ Many staffers overwhelmed and stressed, research finds

Between managing the pandemic and scrambling to finish everything up for year-end, A/P pros may be feeling a bit burned out right now.

But you aren't alone. Employees in a variety of jobs and industries across the country are burning the candle at both ends. They're working longer hours during the week, and many are putting in extra hours on the weekend.

All this has made burnout more common, research finds. As mentioned (see KAP 12/7/20), over a third (34%) of staffers surveyed by Robert Half are more burned out than they were a year ago. And 45% said they're just as burned out now as they were then.

### Key survey details

It's worth noting that burnout may be impacting younger employees more than seasoned workers: 37% of those ages 25-40 reported feeling increased burnout this year, while 32% of those ages 41-54 and 29% of those 55 and older said they felt the same.

A variety of factors have contributed to increased burnout rates. For 30% of people, the top reason for burnout was

due to having a fuller plate at work.

With many companies experiencing layoffs and furloughs because of the pandemic, employees may be taking on additional tasks to help keep things running, which could be increasing their feelings of burnout.

Even those working at home may feel burned out due to pressure (real or perceived) to constantly get tasks done. In another Robert Half survey, 45% of remote employees regularly worked more than eight hours each workday, and 68% worked on weekends.

### How to respond

It's not surprising that burnout is so prevalent right now, but A/P can take steps to improve the situation. Here are two suggestions from Robert Half:

1. **Take days off regularly.** And encourage staffers to do the same.
2. **Prioritize ruthlessly.** Narrow your to-do list down to only the most critical tasks, and make them the top focus over everything else.

*Info: [bit.ly/1rhsurvey615](https://bit.ly/1rhsurvey615), [bit.ly/2rhsurvey615](https://bit.ly/2rhsurvey615)*

limitations stayed open. The court upheld IRS's assessment of backup withholding tax liabilities, penalties and interest.

### Analysis: Do your duty

There's no denying that for A/P, it can be difficult to secure TINs and SSNs. But that doesn't mean federal agencies or courts will want to hear excuses for not backup withholding.

As this case shows, if you fail to do your duty, you'll likely be on the hook for the amount you should have withheld, plus penalties and interest.

*Based on Quezada v. U.S. This case was fictionalized for dramatic effect.*

## MISTAKES THAT COST

*This regular feature shows how companies and individuals have run afoul of state or federal laws. See how others got off track so you can avoid similar problems.*

### Years-long credit card fraud finally uncovered

**Individual:** Ilene Cain, former office manager at Venture Pipe and Supply in Lindsay, OK.

**Violation:** Two felony charges were filed against Cain. It's believed she stole almost \$85,000 over the course of five years.

**Penalty:** The outcome of this case is yet to be determined. Cain is set to appear in court at a later time.

**Note:** As an office manager who oversaw A/P, Cain occasionally used a corporate card to pay for office supplies and T&E expenses. In 2015, she began "testing the waters" with fraudulent purchases. When she didn't get caught, she escalated her crimes, stealing more each year. Her fraudulent spending escalated from around \$4,000 in 2016 to about \$20,000 in 2020.

**Cite:** [bit.ly/cain534](https://bit.ly/cain534)

### Fraudster uses 1 scheme at 2 different companies

**Individual:** Kavita Harack, former accountant at a display services company and a project design company in Orlando, FL.

**Violation:** She pleaded guilty to two counts of wire fraud.

**Penalty:** Harack will be sentenced at a later time. She faces a maximum penalty of 20 years in prison.

**Note:** At the first company, Harack diverted dozens of fraudulent payments to her own bank accounts and made the transfers look like legit vendor payments. When she was caught and fired, Harack went to another company and did the same thing! In total, she stole approximately \$600,00 from both companies.

**Cite:** [bit.ly/harack534](https://bit.ly/harack534)

## Sharpen your judgment THE DECISION

(See case on Page 2)

No, Carl wasn't able to convince the court, which ruled in favor of IRS.

Carl said even though he should have backup withheld, he shouldn't have to pay IRS's high-dollar assessment due to the statute of limitations. IRS had acted too late, he added.

But the court didn't agree. It said since the 1099s were missing Social Security numbers (SSNs), Carl was clearly obliged to backup withhold and file Form 945 – so the statute of

# Making Technology Work for You

## ‘Task mining’ in Accounts Payable: What is it and how does it work?

■ 4 key elements to record, assess your processes

Has your department heard the word on “task mining?”

It collects and analyzes data in real time to help companies streamline their processes, explain the pros at ABBYY. It’s similar to process mining, but it gathers user interaction data instead of files and metrics. Once user interactions are “mined,” you can see how they affect processes, uncover inefficiencies and deploy resources to resolve them.

How can it benefit A/P?

As your job becomes more digital, you must reassess how work is completed across people, machines, etc. Breaking down work into tasks can help transition A/P into a sustainable hybrid of human and machine activity, ABBYY adds.

### Step-by-step guide

Now that you know what task mining is, you need to know how it works. Here’s a guide from ABBYY:

**1. Task Recording:** User interactions are recorded via agents on staffers’ desktops. Agents store and collect each user’s interactions by capturing screenshots and other info at intervals, then the info’s sent to the software.

**2. Task Analysis:** This automatically finds patterns of user interactions by sampling multiple task operations and looking for variabilities in how tasks are executed.

**3. Context Recognition:** With Optical Character Recognition (OCR) technologies, the interaction data that was recorded is then converted into structured contextual information related to the staffer’s tasks.

**4. Advanced Custom Recording:** Customized recordings let agents track everything that happens during a task to understand how each task runs. Tasks can be looked at in terms of steps performed, time spent, time lost, etc.

*Info: [bit.ly/mining534](http://bit.ly/mining534)*

## Uh oh! Employees’ phishing knowledge is subpar

■ Research includes concerning stats on corporate fraud

Pause and think about all the people at your company who could be targeted for a phishing scam – finance staffers, purchasers, executives ...

Now ask: Are you confident these people even know what phishing is?

Fact is, for many, there’s a big knowledge gap. When asked, “What is phishing?” in a survey from security company Proofpoint, only 52% of U.S. workers answered correctly.

Why this is concerning: The survey found that 74% of U.S. companies were victim to a successful phishing attack last year. And it’s important to note that’s 30% above the global average and a 14% year-over-year increase.

It makes sense. Since almost half of

employees don’t know exactly what phishing is or how to spot it, when they’re targeted by fraudsters, they fall for scams that can result in substantial monetary losses.

### Time to train?

In light of this current outlook, it’s important for A/P to think about whether corporate fraud and phishing education needs to be more of a focal point at your company.

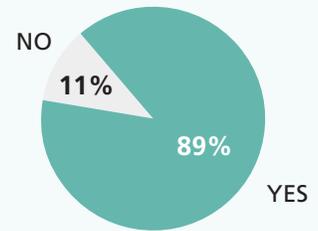
If you have even a slight amount of doubt or uncertainty regarding your staff’s or co-workers’ phishing knowledge, you may want to propose more training and resources.

*Info: [bit.ly/phishing534](http://bit.ly/phishing534)*

## How do you stack up?

### Monitoring business risk

Have you encountered a vendor risk event in the past five years?



Source: Gartner, [gartner.com](http://gartner.com)

This serves as a good reminder for A/P to regularly monitor and assess its vendor relationships – especially those your company really relies on – to avoid surprises and financial or legal complications.

*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! Cringeworthy workplace moments

Every professional faces bad days at work once in a while.

But hopefully yours aren’t as cringey as these real-life stories:

- “I was multitasking while [my boss and I] talked and distractedly ended the call with ‘Alright, I love you, see you later!’”
- “I got hired for a corporate job. My first day seemed to be going well and then I, and the rest of my department, got called in for a surprise meeting. Turns out we were all getting laid off.”
- “[My boss] said something sarcastic, and I raised my hand to mock-slap him playfully. He turned his head suddenly, and it turned into a full on slap. I was horrified.”

*Info: [bit.ly/badday534](http://bit.ly/badday534)*

## 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.

### DIGITAL ADVERTISING SERVICES

Sales tax on digital advertising is an idea many states are exploring. Check out four doing so now.

**NEW YORK** – Heads up if you pay for digital advertising here.

There are two proposed bills that could mean your company has to pay more sales tax, namely:

- **Senate Bill 1124** would add a new gross revenues tax on digital advertising services.
- **Senate Bill 302** would expand the sales tax base to include digital advertising services.

See more details at the links below.

*Info: [bit.ly/ny-1124](http://bit.ly/ny-1124), [bit.ly/ny-302](http://bit.ly/ny-302)*

**WASHINGTON** – Working in the Evergreen State?

Washington may consider a digital advertising tax in a forthcoming bill.

As of now, digital ad services are subject to a 1.5% B&O tax as “other activities.” This bill would instead make digital ad services subject to a 0.471% B&O tax as “retailing,” plus state (6.5%) and local sales tax.

The bill says “digital advertising services” include things like online referrals, search engine marketing, lead generation optimization and web campaign planning.

*Info: [bit.ly/wa-534](http://bit.ly/wa-534)*

**MARYLAND** – Maryland's another state that's taking strides to tax digital advertising services.

Last year, the legislature proposed House Bill 732, which included a new gross revenues tax on digital advertising services. (The tax rate would be between 2.5% and 10%, contingent on company revenue.)

The bill went far, but was ultimately vetoed by the governor. In 2021,

the legislature will have a chance to override the veto. Stay tuned.

*Info: [bit.ly/md534](http://bit.ly/md534)*

**CONNECTICUT** – Here's one last state that's looking to tax digital ad services and similar services.

Two proposed bills that A/P should keep an eye on are:

- **House Bill 6187** would impose a tax on revenues derived from digital advertising services.
- **House Bill 5645** would create a tax for social media providers on revenue derived from social media advertising services.

As always, we'll keep you posted.

*Info: [bit.ly/ct-6187](http://bit.ly/ct-6187), [bit.ly/ct-5645](http://bit.ly/ct-5645)*

### EXEMPTIONS

Sales and use tax exemptions are one of the best ways A/P can reduce costs. Here are two states offering guidance on theirs now.

**PENNSYLVANIA** – Do you take advantage of the building machinery and equipment (BME) exemption?

Pennsylvania released more info on the BME exemption in the form of a previously private, now public, guide.

As you may know, this exemption applies to purchases of some materials and items used during construction projects with exempt entities.

The guide explains what items qualify for the exemption and answers some key questions.

*Info: [bit.ly/pa-534](http://bit.ly/pa-534)*

**ILLINOIS** – There's good news for A/P pros in the aviation industry.

Illinois issued a new information bulletin saying the sales tax exemption for aircraft repair and refurbishment will be extended until Dec. 31, 2024.

The exemption includes materials, equipment, parts, etc., incorporated in or on an aircraft as part of services to “modify, refurbish, complete, replace, repair or maintain” the aircraft. It also

applies to some consumable supplies, like adhesive, tape and sandpaper.

*Info: [bit.ly/il-534](http://bit.ly/il-534)*

### USE TAX

A/P must stay on top of its use tax liabilities. Right now, one state is providing more information to help.

**WISCONSIN** – This one's for A/P pros in the Badger State.

Wisconsin has added more guidance on use tax to its use tax web page, including information on:

- what's taxable
- the special county tax rules
- how to keep track of your taxable purchases during the year, and
- how to accurately pay use tax.

*Info: [bit.ly/wi-534](http://bit.ly/wi-534)*

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