



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.

April 14, 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.

A crash course on properly handling payment disputes

■ Ensuring A/P is ready for anything

No matter how efficient your A/P teams is, payment disputes are bound to come up from time to time.

And as you know, these disputes can be time-consuming, labor-intensive and costly for A/P.

Not to mention, on a larger scale, they can result in damaged business relationships and cash flow problems for your company.

So, the better trained your staff is to deal with disputes, the less time, effort and money that gets wasted for everyone overall.

Here's a quick and concise training guide you can use in A/P to make

sure your people are in the know on various types of disputes and how to handle them.

Types of disputes

According to the finance experts at YayPay, some of the most common disputes are:

- **Pricing dispute.** The price that's charged on the invoice is different from the one that you and the vendor agreed on originally.
- **Quality dispute.** Usually, either the quality of a product/service is under consideration or the product was

(Please see Disputes ... on Page 2)

Latest fraud scam involves erroneous Forms 1099-G

■ Department of Justice warns of twist on identity theft

If you ever handle 1099-G forms, be wary of a new scheme.

A press release from the U.S. Dept. of Justice's National Unemployment Insurance Fraud Task Force explained that it's "investing numerous fraud schemes" regarding 1099-Gs.

Essentially, scammers are filing fraudulent claims for unemployment insurance benefits, which is leading to the distribution of erroneous 1099-Gs.

Some people may get a form indicating they collected unemployment insurance benefits when they haven't done so. Other people may not get

a 1099-G, then later find out their identity was used to file for benefits.

Staying on guard

Typically, Form 1099-G, *Certain Government Payments*, is for workers who receive payments from a federal, state or local government.

If you issue 1099-Gs, you should reach out to recipients to alert them of the scheme. And even if you don't, this should serve as a reminder of how creative fraudsters are getting.

Info: bit.ly/1099g537

Payment Problem Solving

Disputes ...

(continued from Page 1)

- damaged during shipping.
- **Administrative dispute.** Here, there may be missing or incorrect documents related to a purchase.
 - **Payment terms dispute.** Besides pricing, one party may dispute other terms (e.g., due date, partial payment plan).
 - **Unreceived purchase dispute.** This occurs when your company is billed for items that are deemed to be missing, are unaccounted for or haven't been received.
 - **Double billing dispute.** In this case, simply, a purchase is accidentally billed more than once.
 - **Return or change order dispute.** The vendor's most recent invoice doesn't indicate a change in order or product returns.

With your staff, you can go over each type of dispute and walk through scenarios on how they should handle them.

By using real-life scenarios and examples, you can see exactly how staffers respond – and make sure they do so properly.

Resolving payment disputes

After going over different types of disputes, review these four general best practices for dealing with them:

1. Always document. Every time A/P encounters a payment dispute, the situation should be logged into your system.

That way, you're covered should the issue escalate or need to be referenced in the future. You'll have a solid documentation trail of what you did to resolve things.

2. Prioritize by severity. Chances are, there will be times when multiple disputes are in the works at once.

YayPay recommends ranking them in order of importance (perhaps with a code in your system), so the most pressing issues are dealt with first.

3. Do extra research before you recommend a solution. Before deciding on an outcome of what you think should happen, ensure you have all the proper details needed – proof of delivery, order invoice, etc.

If you find any gaps, you can then track down the missing details or documents.

After, A/P will be fully equipped to recommend a fair, proper outcome (e.g., issuing a refund, suggesting a write-off amount).

4. Follow up. Especially if it's a large or complicated dispute, A/P should follow up with the vendor afterward.

Verify the issue has been fully resolved and that both parties are satisfied with the outcome, so you can move forward on good terms.

Info: bit.ly/disputes537

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.

■ Staffer bad-mouths company to vendor: Fireable offense?

"Ray said what?" A/P Manager Jenn Smith asked the vendor rep she was speaking to on the phone.

"He told me another staffer at your company would be taking care of our business from now on ... and that you demoted him because he's old," the vendor rep explained. "Understand, we don't mind. Ray wasn't exactly great at handling our queries and payments."

"I'm sorry about this," Jenn said. It wasn't the first time she'd heard of a vendor being unhappy with Ray. But it was the first she'd heard of him bad-mouthing the company.

Agreed to terms

When Jenn was done helping the vendor rep, she called Ray in.

"What is it?" Ray asked. "Need to tell me how old and awful I am?"

"I moved you back into your old position as a staffer because you didn't meet goals during the trial period of the promotion to junior manager," Jenn said. "You agreed to those terms, remember?"

"There you go again, picking on me because of my age. Old guy can't remember," Ray said. "I bet the new, young guy in the position can. Maybe I'll tell vendors about this, too."

Jenn sighed. "That's it. If you have a problem with me, fine. Take it to HR," she said. "But bad-mouthing to vendors is insubordination. You need to gather your things and go."

After, Ray sued the company, claiming age bias and freedom of speech violations.

Jenn's company fought the case. Did it win?

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



Keep Up to Date on
ACCOUNTS PAYABLE™

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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 New policy helps bring in travelers' receipts

There's one thing we've learned in A/P when it comes to dealing with travelers: You receive the behavior you allow.

So, if you want T&E receipts to flow in as they should, you can either make the submission process very easy for travelers – or you can make the consequences for not following the rules very severe.

We'd already done everything we could think of to make the process easy for everyone. For example, we started allowing people to hand in

pictures of their receipts, since we knew paper was a hassle.

But even with everything we did to simplify the process, travelers' behavior wasn't changing.

We knew it was time to change the consequences instead.

Privileges revoked

We decided to launch a new policy: If an employee doesn't hand in their receipts, we take their company credit card for 60 days.

As expected, the first few people who didn't comply were upset when

we took their cards.

But that worked in our favor.

Those employees went out and told everyone else what had happened. And that made everyone realize how serious we were.

Soon after that, we saw people's behavior start to change.

Turns out, you only have to lose your credit card once to snap to and get into compliance.

It's rare to have a repeat offender, and travelers are extra careful now.

(Keith New, President, HQ Solutions, Macedonia, OH)

IMPROVING YOUR OWN A/P PROCESS

2 Pandemic inspired us to go paperless

Like many businesses, we had planned on going completely paperless at some point, but progress was slow.

Then, COVID-19 happened.

Because everyone was working remotely, we knew this was our big chance.

Manageable changes

Since hardly anyone was in the office, we had to find better ways to manage, save and transmit

various documents.

So, we created a game plan for going almost entirely electronic with our files.

We scanned some paperwork into our systems, but we mostly relied on creating PDFs of files directly through Adobe Acrobat.

Since we were already familiar with using Adobe, it was just a matter of getting over the learning curve of teaching everyone how to use its "Fill and Sign" features to electronically complete documents without the need

to print and scan them at all.

For sensitive financial data, we used shared

Smartsheets – spreadsheets with password protection. They've been especially helpful with creating an easily accessible audit trail.

Our transition to electronic documents has saved us so much money and time so far, and it's made adjusting to remote work easier.

(Angela Hoffman, Payroll and Tax Manager, LBMC Employment Partners, Brentwood, TN)

3 Solving tech woes with vendors and customers

Even before the pandemic, our company used a lot of different technology to get our work done.

Really, what company doesn't?

From software and apps to shared documents and real-time video calls, we had tons of options that helped employees and staffers communicate and work efficiently.

But we sometimes ran into glitches when the people outside of our organization – vendors, customers,

partners – weren't as adept with our types of technology.

It slowed or stopped our progress.

Getting more flexible

After a while, many employees were getting tired of losing time trying to work with external people who didn't understand or use our technology.

So, here's what we did: We started to ask vendors and customers what technology they used most.

How did they like to contact people, both in their personal life and

in their work life? What programs were they most familiar with?

Once external parties identified their preferred ways to communicate, we looked into switching to them. For instance, rather than Zoom, many people were quick and at ease with FaceTime.

Being adaptable, especially now, has helped us to keep working and communicating well with others.

(Gabby Piloto, Marketing Director, Hancock Injury Attorneys, Tampa, FL, shared this success on Bloomberg Business)

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.

BIZ TRAVEL RECOVERY

Are you still wondering exactly what to expect for business travel recovery in 2021 and beyond?

There's new insight: The Global Business Travel Association (GBTA) just published its twelfth annual BTI Outlook, with an evaluation of business travel in 2020, as well projections for the coming years.

And notably for A/P and travelers, it includes a forecast on business travel recovery in terms of COVID-19.

5-year forecast

Check out what the BTI Outlook predicts for the next several years:

- **2021:** Business travel spending is expected to increase 21% this year. Experts think this will occur mostly toward the end of the year, as vaccinations rise worldwide and companies gain more confidence.
- **2022:** Biz travel will continue to pick up. The outlook forecasts a significant boost in things like group meetings and international travel.
- **2023:** GBTA says spending growth is predicted to slow down a little this

year. But given how much growth has dipped in recent years, it'll still be well above historical average rates of growth.

- **2024:** By the end of 2024, annual business travel spending is projected to reach around \$1.4 trillion. This is about where things were in 2019, before the pandemic.
- **2025:** A complete recovery to pre-pandemic levels of business travel is anticipated this year.

Spreading the word

Given how long and distressing the pandemic has been, it's clear why biz travel will take some time to recover.

When talking with your staff and travelers, give an encouraging yet realistic perspective: Travel will return, but it'll be in slow stages. For example, they may take domestic trips to visit a specific client in 2021 before they're heading to international client meetings in 2022 or large, congested conferences in 2023.

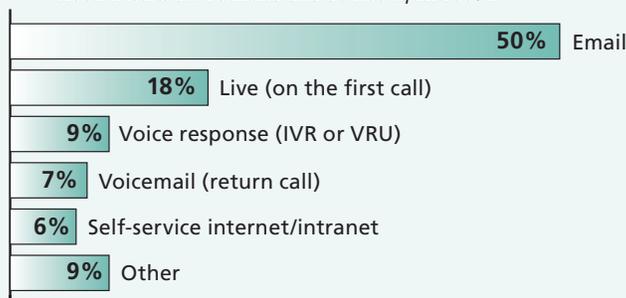
Keeping your people informed of what's coming will help ensure cooperation and engagement.

Info: bit.ly/travelrecovery537

Queries received every which way!

What percentage of queries do you answer via each method?

Note: Results are rounded and do not equal 100%.



Source: The Hackett Group, thehackettgroup.com

Despite newer technologies, for many, email remains the quickest and easiest way to receive and answer queries. That said, if your company has invested in automation with a specific method for queries, it'd be beneficial to verify vendors and staffers are actually taking advantage of that option.

TEST YOUR KNOWLEDGE

Tax protocols for payments regarding deceased workers

If you're ever in the unfortunate situation where an employee passes away, you want to ensure pending wages are handled correctly.

The IRS instructions for Forms 1099-MISC and 1099-NEC lay out how finance pros should handle payments to deceased employees.

Answer *True* or *False* to the following questions to test yourself on the guidelines:

1. Social Security and Medicare taxes should always be taken out of a deceased employee's wages paid in the year of death.
2. Wages paid the next year following a worker's death must be included on Form W-2.
3. Any payments made to deceased workers must be reported on Form 1099-MISC.
4. Death benefits paid to beneficiaries from nonqualified deferred compensation plans should be reported on Form 1099-R.

ANSWERS

Cite: bit.ly/Instructions537

1. *True.* Wages paid in the year of death after an employee passes away should only be reported as Social Security and Medicare wages on the worker's Form W-2, so the appropriate tax is withheld. These payments should not be included in Box 1.
2. *False.* Payments made after the year of death shouldn't be on the worker's W-2. Social Security and Medicare taxes also shouldn't be withheld from these wages.
3. *True.* Regardless of when they were made, payments must also be reported to the person's estate or beneficiary on Form 1099-MISC.
4. *False.* Use Form 1099-MISC to report these payments as well.

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 do you handle DBAs in your master vendor file?

A/P teams know how crucial it is to have master vendor file formatting guidelines for things like punctuation, initials and titles.

But equally as important is having guidelines for how you format DBA (Doing Business As) vendors, which are becoming more common, according to Technology Insight.

Fortunately, some newer software systems may have specific settings for these entries. But if your system doesn't, be sure A/P sets a standard for how to include and format them in your master vendor file.

Info: technology-insight.com

How to avoid becoming the 'intimidating boss'

No matter how approachable and kind you try to be, staffers tend to be intimidated by managers and leaders.

And if staffers feel this way, morale and engagement can take a dip. To dial down intimidation:

- **Be aware of facial cues.** Even just a frown when you think can be seen as anger. And a stare to show interest can be seen as dissatisfaction.
- **Slow your roll.** How do you respond when someone challenges you? Quick, contrary or negative reactions can make you seem scary.
- **Get feedback.** Ask, "What can I do to become more approachable?"

Info: bit.ly/intimidate537

A/P expert says to ditch these 2 words from your language

Often, hardworking A/P teams don't get enough credit from others – and they don't give themselves enough credit, either.

That's why A/P expert Judy Bicking says it's key to remind yourself and your team of your value – that you

don't "just" pay the bills. In fact, her team got rid of the language "I just" when talking about what they do.

Communicate to your team – and others – that A/P is the back end of a complicated, chaotic process, Bicking says. Only when you recognize and share your value will others see it, too.

3 signs A/P candidates are lying on their resumes

You want the best and the brightest on your team – not liars who fib about their skills or experience.

Here are three common fabrications you and HR should look out for:

1. **Inflated roles:** People may embellish or exaggerate job experience. Look for vague descriptions that aren't consistent with your job posting.
2. **Dubious dates:** Job-seekers may try to cover up gaps in employment (e.g., date blocks with just the year, not months). Ask questions and dig deeper if you see this on a resume.
3. **Degree vagueness:** Some people may list degrees they never fully earned. Watch for listings of "bachelors degree" instead of "bachelor of science" or "bachelor of fine arts."

SOFTWARE SKILL BOOSTER

The 'Night light' feature can combat computer blue light

By now, most A/P pros have heard of the harm blue light can do to eyes.

Luckily, Windows has a feature, called Night light, that can restrict the blue light coming from your display.

Just go to *Start > Settings > System > Display*. You can turn on the *Night light* slider, then click *Night light settings* to adjust things to your liking.

Info: bit.ly/light537

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

PAYABLES NEWS

■ Tax relief for 2 states victim to winter storms

Here's good news if your company operations were affected by the winter storms in the south.

IRS is offering tax relief for those in Oklahoma (bit.ly/OKrelief537) and Texas (bit.ly/TXrelief537).

Companies in both states will now have until June 15, 2021, to file various individual and business tax returns and make tax payments.

See full details at either of the links above – and a related story about IRS tax relief below.

■ Most A/P depts pay for home office costs, survey finds

Let leadership know: To maintain a competitive edge and retain great employees, you may need to pay for certain home office costs.

Reason: About two-thirds of companies say they now provide financial help for their remote workers, found a Mercer survey.

Some of the top costs companies are now covering include:

- laptops (55%)
- cell phone costs (33%)
- printers (26%), and
- ergonomic equipment (24%).

Info: bit.ly/homeoffice537

■ IRS proposes new rule for tax deadlines, disaster areas

A new rule would make things a little easier for finance and accounting pros whose duties get impacted by natural disasters.

The proposed IRS rule, drafted in the Federal Register, would create a mandatory 60-day postponement of certain tax deadlines for those who work or live in a federally declared disaster area.

The 60-day period is based on the earliest incident date of the disaster and runs concurrently with any other IRS relief the taxpayer receives.

We'll keep you posted.

Info: bit.ly/disaster537

Sales tax growing more complex: 3 options for companies to consider

■ To keep up, many will have to take a new approach

You see firsthand how complicated sales tax is getting. It can feel like a whole separate job sometimes.

Even so, not every company is lucky enough to have dedicated tax experts on staff or a full tax department.

But with sales tax primed to keep getting more challenging for Finance, many companies will have to choose one of three options for tax management, according to Avalara:

1. **hire** or **train** an employee on it
2. **outsource** it to an external firm, or
3. **automate** it.

Finding the right fit

Which tax management option is best for your company going forward? Review details on each approach from Avalara to help you decide:

1. Hiring or training. If you bring on a new person or select an existing employee to be a dedicated sales tax expert, no one else's role has to change, so operations can remain the same.

That said, finding the right person with the right expertise for the job isn't

easy. There's also the cost: Training could take a lot of time and resources – plus salary and benefits if it's a new hire.

2. Outsourcing. With this option, sales tax management is off your company's shoulders and rests with a third party. Your team has more time to focus on their core tasks.

But at the same time, you have less control, and you're essentially putting your faith in someone else to do the job right. And like all three options, it comes at a price – one likely more expensive than an in-house expert.

3. Automation. As you know well, cloud-based automation can make things easier for A/P. It can keep up on current tax rates, rules and changes. You get the necessary expertise but remain in control of the process.

Still, transferring to an automated process isn't always seamless. It'll take time to find the right solution, as well as segue your current operations into the new software. And of course, there's the cost of software, including added fees for deployment, customer support, etc.

Info: bit.ly/taxmgmt537

manager, Jenn, that he wasn't doing a good job servicing them. And, the attorney added, Ray was let go for insubordination – disparaging the company to valued vendors isn't OK.

The court agreed: Ray was demoted for his performance, and dissing the company wasn't protected speech.

Analysis: Documentation wins

This case proves just how critical documentation is. Here, the company recorded Ray's poor performance and insubordination to show they were grounds for termination.

(Based on Fox v. Eagle Distributing Co. 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.

Biz owner sentenced for COVID-19-related fraud

Individual: Nadine Jackson, former business owner at Extract LLC in Dayton, OH.

Violation: Back in November, Jackson pleaded guilty to wire fraud and making a false statement to a bank.

Penalty: She was sentenced to serve 24 months in prison. The acting U.S. attorney said her sentence should be a warning to anyone else considering similar conduct.

Note: COVID-19 has presented a new slew of fraudulent opportunities. In her scheme, Jackson sought \$1.3 million in forgivable PPP loans and \$1.2 million from financial institutions. She lied and said she had over 70 employees earning wages at her company Extract LLC when really, "there were few or no other employees" working there.

Cite: bit.ly/jackson537

Sly accountant forged signature to steal \$641K

Individual: Donna Cornwell, former accountant at Villa Olympic Inc. in Brantford, Ontario, Canada.

Violation: Cornell was found liable of stealing more than \$641,000 from her former company.

Penalty: The investigation into her fraud is ongoing.

Note: The company's owner first got wind of Cornwell's fraud when he noticed a suspicious payment. When he asked her about it, the accountant seemed "uncomfortable." After digging deeper, he discovered Cornwell had been forging his signature on checks to take money for her own personal use.

Cite: bit.ly/cornwell537

Sharpen your judgment THE DECISION

(See case on Page 2)

Yes, Jenn's company won when the court tossed out the case.

Ray's attorney claimed he was a victim of age discrimination after he was demoted and replaced by a younger person. Then, the attorney said, he was improperly fired for telling vendors what had happened, which should be protected by freedom of speech laws.

The company's attorney said Ray was demoted for poor performance. More than one vendor had told his

Does your A/P department have a clear-cut technology usage policy?

■ 6 specific items you should address

Software systems, mobile apps, AI-powered tools. As time goes by, more and more technological features are at A/P's disposal.

And to ensure all this tech's being used correctly and proficiently, your A/P department will want to have a technology usage policy.

What to include

Of course, it's not as simple as telling your staff and others working with A/P to just "be smart" or "be responsible."

To prevent fraud, wasted time and technological snafus, your policy should be clear-cut and specific.

Check out Tech Republic's list of topics your policy should cover:

1. **Network usage.** This should include a statement that communications stored on or sent over that network will be monitored for security.
2. A prohibition on sharing passwords

or accounts. People shouldn't be able to log into anyone else's account or use another person's credentials.

3. **Security precautions.** For example, lock down your PC when away from the desk. Or don't download software that's not authorized by IT.
4. **Encryption requirements.** If you're not too familiar with this topic, enlist IT to help you talk through it and incorporate it in your policy in an easy-to-understand way.
5. **Bring Your Own Device (BYOD) policies.** BYOD rules should address the matter of attaching unauthorized modems or other devices to company property.
6. **A summary of what's considered "inappropriate use."** This should cover everything from the obvious (personal social media) to the less obvious (accessing network data without permission).

Info: bit.ly/usagepolicy537

Slow Wi-Fi? Low battery? How to stay charged

■ Don't let tech hiccups affect your productivity

You use so much technology these days, your gadgets are probably running low on energy more often than you are.

And you don't want a dead battery, weak signal or compromised tech at a big moment – like a company meeting or a critical payment transfer.

Try these 3 tips

Use these tips to stay charged and secure, no matter where you work:

1. **Organize your charging.** Tired of countless cords at your feet? Try putting a USB hub in an outlet near your desk. Add 6-foot charging cables and bind them into a single strand with cable wraps or even a chip clip.

2. **Save bandwidth.** Check the settings in video apps (e.g., Zoom, Skype) to see if HD video calling is turned on. Reducing the video quality could help you save bandwidth.

And if you're really pressed for bandwidth (e.g., sharing with others), it may be better to turn off your video or join via phone.

3. **Boost your Wi-Fi and your spirits.** If you'd love to work outside and enjoy some nice weather but the Wi-Fi is sketchy, try this:

Use your phone's mobile hotspot to get a better connection. Many wireless carriers have recently added bonus hotspot data for this reason.

Info: bit.ly/charged537

How do you stack up?

Automated expense features

What are the most valuable features of your expense management system?

Note: Results do not equal 100%.

Mobile receipt capture **48%**

Direct deposit via ACH **36%**

Mobile report creation/approval **34%**

Automated expense report building **26%**

Source: Certify, certify.com

Given the fact that paper receipts can be such a hassle for travelers to track and A/P to go through, it's no surprise mobile receipt capture tops the list of features your peers love. Have you implemented it yet?

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

■ Money is no laughing matter ... or is it?

You know better than most that money is a fairly serious topic.

But you can still crack a smile at these humorous anecdotes:

- **Inflation:** "Americans are getting stronger. Twenty years ago, it took two people to carry ten dollars' worth of groceries. Today, a five-year-old can do it." – Henny Youngman, comedian
- **Tax regs:** "The tax code is 10 times longer than the Bible, without the good news." – David Camp, U.S. congressman
- **Payments:** "If you think nobody cares about you, try missing a couple of payments." – Steven Wright, comedian

Info: See more "money funnies" at bit.ly/money537

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.

ONLINE AND DIGITAL PURCHASES

The more digital the world becomes, the more states have to address certain items' taxability. Here's news from two states.

TEXAS – Does your company make online purchases in this state?

Good news: The Texas Comptroller recently published new guidance regarding online orders and sales tax.

For A/P, there's a section titled "Buying Online" that covers:

- out-of-state purchases shipped or delivered into Texas
- credit for tax paid to another state, and
- purchases from remote sellers.

Info: bit.ly/tx537

COLORADO – Heads up if you work in the Centennial State. It just made more digital goods and streamed entertainment taxable.

Previously, the state's definition of "tangible personal property" created some confusion for the taxability of intangible digital goods.

But the Digital Goods Rule clarifies things, saying "the method of delivery does not impact the taxability of a sale of tangible personal property."

As of Jan. 30, 2021, sales tax should be imposed on any tangible personal property delivered by compact disc, electronic download or internet streaming.

Note: Some items, like certain computer software that doesn't meet the rule's updated definition, may still be exempt from sales tax.

Info: bit.ly/co-537

MANUFACTURING

The manufacturing industry has its own set of rules for sales and use tax.

Check out info from two states.

NORTH CAROLINA – Paying for HVAC equipment? It could be exempt in North Carolina.

Case in point: A manufacturer bought HVAC equipment and wanted to know if it was taxable.

Generally, the state exempts mill machinery – including necessary air conditioning systems – for use in a manufacturing production process. Air conditioning may be deemed "necessary" when it affects the temperature, humidity, etc., of the creation of a product.

In this case, the North Carolina Department of Revenue found that the HVAC equipment was needed during the manufacturer's production process for its effect on temperature and humidity. Therefore, it was exempt.

Info: bit.ly/nc-537

HAWAII – This one's for A/P pros in the Aloha State.

Previously, motion picture or television film companies working here qualified as manufacturing businesses and were subject to the general excise tax (a 0.5% rate).

This included loan-out entities – those formed on behalf of an actor, director, producer, etc., to provide services to film companies.

But now, Hawaii has changed its rules: Film companies are no longer seen as engaged in manufacturing. As a result, loan-out entities are subject to a higher general excise tax (the 4% retail rate).

Info: bit.ly/hi-537

RATE CHANGES

A new quarter brings local sales tax rates. Check out the latest for the second quarter of 2020.

MULTIPLE STATES – A/P pros should know if states they do business in or with have updated their tax rates.

On April 1, 2021, a slew of states

imposed local rate changes, including:

- **Arizona** (bit.ly/az-537)
- **Arkansas** (bit.ly/ar-537)
- **California** (bit.ly/ca-537)
- **Georgia** (bit.ly/ga-537)
- **Kansas** (bit.ly/ks-537)
- **Minnesota** (bit.ly/mn-537)
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