



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.

May 17, 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/P benchmarks for 2021: How efficient is your dept?

■ See where you stand compared to your peers

One of the best ways to measure your A/P department's success is to see how your operations and metrics compare to your peers.

And you can do just that by looking at annual A/P benchmarks and metrics.

Ready to see how you stack up? Here are some of the latest benchmarks outlined in Ardent Partners' Accounts Payable Metrics that Matter in 2021:

1. Cost per invoice

In 2020, the average cost to process a single invoice – including labor, overhead and technology – was \$10.89.

Of course, you know that digitizing the process is the best way to lower costs. If that's not feasible, see if there are specific parts of the process you can speed up.

For example, could your company automate the invoice and P.O. match, reducing the amount of time dedicated to this meticulous step?

2. Invoice processing time

When looking at how long it took A/P to process a single invoice in 2020, the average was 10 days.

In the age of same-day payment

(Please see Benchmarks ... on Page 2)

Remote work is essential to staffers, survey finds

■ A third would quit a job that nixed working from home

Is your company looking to resume office life soon? You may want to gauge your A/P staff's attitude.

Almost 30% of remote workers said they'll quit if they aren't allowed to continue remote work, according to recent research from LiveCareer.

And another two-thirds said they prefer to only work for companies that offer remote work options.

Meeting in the middle

Assuming staffers aren't bluffing and really will give notice, how can

A/P avoid costly, time-consuming turnover and retention issues?

The key to transitioning back into the office may be easing in and flexibility.

LiveCareer asked staffers, if they had to go back to the office, how many days a week they'd like to be on-site. The tops picks were three days (30%), two days (25%) and one day (19%).

Staffers also said they could be enticed to go back by certain perks, like more paid time off, more flexible scheduling and improved workspaces.

Info: bit.ly/remotework539

Improving Operations

Benchmarks ...

(continued from Page 1)

capabilities and instant gratification, 10 days seems like a long time.

So, consider where your bottlenecks occur. For example, are you often waiting on approval? Are workflows stunted, so Purchasing and A/P can't communicate and share items quickly?

Once you identify your bottlenecks, you can work to address them and reduce overall processing times.

3. Invoices received electronically

Electronic methods are *just* edging out manual methods. In 2020, 51% of invoices were received electronically, while 49% were received manually.

In a similar vein, it's worth noting about 31% of vendors submitted invoices electronically, while about 69% of vendors sent invoices manually.

Since less than a third of vendors currently send e-invoices, it may be worth reaching out – especially to vendors that send the *most* invoices – to see when and if they plan to switch.

Who knows? Some might still send invoices manually simply because that's what they've always done for you. Let them know A/P and Purchasing are willing and able to help with any transitions.

4. Payments sent electronically

Just as e-invoices took the lead, e-payments also beat out their

manual counterpart. Last year, 57% of payments were sent electronically, while 43% of payments were sent manually.

As you know, the COVID-19 pandemic spurred financial concerns for many companies – and vendors were eager to get their hands on payments, even if that meant trying new electronic methods.

You'll want to ride that wave into 2021, encouraging vendors to switch to safer, faster and more streamlined payment methods, like ACH (*see related story on Page 6*).

5. Invoice exceptions

You know 2020 was a complicated year. And apparently, that included a lot of behind-the-scenes invoice work.

About 25% of invoices were flagged for exceptions last year. In other words, one in four invoices required A/P to put in some extra work to get to the payment stage.

Talk about time wasted!

If you don't already, it'd be a good idea to start tracking exceptions in your software, a spreadsheet, etc.

After, you'll be better equipped to see the big picture of your exceptions: What type of exceptions do you see most often? Are certain vendors more culpable than others?

Armed with this information, you can work to put procedures in place to reduce exceptions, saving your department time and headaches.

Info: bit.ly/metrics439

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.

■ Does A/P owe sales tax on services? Court weighs in

"Did we ever get our latest invoice from Survey Success?" A/P Manager Jenn Smith asked. "You know, the vendor we use to send surveys to measure the effectiveness of our company's advertising."

A/P Clerk Faye Jones shook her head. "Oddly, it never came. And they're usually on top of things."

"I'll give them a call," Jenn said.

Disagreement with the state

"Sorry for the delay," a vendor rep from Survey Success said to Jenn over the phone. "We got into a bit of a debate with the state about whether our services are taxable or not – and we didn't want to send your next invoice along without being sure."

"Mind me asking what the disagreement was?" Jenn asked.

"Well, you know our services help you measure your company's advertising success with surveys," the rep began. "We send you the survey data results with an analysis, plus the subscription-based ad effectiveness benchmarking product that helps you compare your company to industry peers."

"Right," Jenn confirmed.

"We think these are nontaxable consulting services, because the data we provide is merely a part of the service. But the state's saying they're taxable information services," the vendor rep said.

"That's a tricky one," Jenn said.

The vendor challenged the state's stance in court. Was it able to prove that its services weren't subject to sales tax?

■ *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 Getting serious about electronic payments

Like most A/P departments, ours is working hard to become more digital and streamlined.

For the most part, we wanted to partner with vendors that have Electronic Data Interchange (EDI) and accept Electronic Funds Transfer (EFT) Payments.

In other words, we were looking to work with vendors that were on the same page with electronic capabilities.

Of course, not all of our vendors were great at heeding our requests and adhering to our rules.

Some of them were still stuck in manual processes – including paper invoices and checks.

We didn't want that to slow down our own payables process, so we made some policy changes.

2 new conditions

We implemented two new firm, but fair, conditions for vendors that work with our company:

1. We charge vendors \$100 for every manual invoice we have to process ourselves.
2. We charge vendors \$100 for every paper

check we have to mail to them.

These charges are easy to do, since they come right off vendors' checks as chargebacks.

We do have specific vendors that are exceptions to this – for example, government agencies.

But for the most part, these new conditions are enough to make vendors see just how serious our A/P department is about moving forward in a digital direction.

(Nicole Caley, Senior A/P Director, AAR Corp., as presented at the A/P P2P Conference & Expo, Orlando, FL)

IMPROVING YOUR OWN A/P PROCESS

2 Distinguishing between legit emails and fraud

Throughout the pandemic, we were experiencing a big increase in fraud attempts.

Many of these attempts came via email. We could tell that fraudsters were ramping up their efforts big time, as we were being flooded with fraudulent emails and requests.

Our employees are pretty savvy when it comes to these kinds of things, but fraudsters were getting sneaky.

In these rather convincing emails,

they were looking to get people to click on something within the text or asking us to provide sensitive information in a reply.

Keeping in touch

Since our employees knew how to spot something that looked suspicious, we were able to report back and forth to each other about whether something was legit or was fraud.

We started sending out email reminders with examples to let our people know what fraudsters

were up to.

We also let employees know they should report any suspicious emails to the rest of the team – especially if they weren't sure if the email they received was real or not. Someone else may have come across something similar.

Our staff has been extra vigilant, and a little caution goes a long way. Because of this great teamwork, we haven't had any successful attempts from fraudsters.

(Lou Chiarelli, Controller, Reger, Rizzo and Darnall, Philadelphia)

3 We revamped our leadership program

For several years, we did monthly leadership training sessions with all our supervisors. It was our way to touch base and discuss how to develop their leadership skills.

The problem was, it got harder and harder to coordinate with everyone's busy schedules. We ended up canceling or rescheduling a handful of sessions each year.

Not only that, but we discovered we had a good amount of employees

who were interested in getting involved in these training sessions.

That's when we decided to completely revamp the program.

Everyone's welcome

The first thing we did during this overhaul was open up the program to everyone. Any staff member was now welcome at our sessions, but it was completely voluntary.

Our next step was mixing up the material at our sessions to keep everyone engaged and interested.

During the first quarter this year, we read "Leaders Eat Last" by Simon Sinek and had in-depth group discussions about the material every other week.

Next, we brought in an expert for training on unconscious bias, and next quarter, she's coming back to lead us in a discussion on racial unity.

Our employees are very eager to participate, and we plan to continue changing up our sessions so that they can get the most out of the program.

(Tracy Ro, HR Manager, MOPS International, Denver)

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.

TRAVEL EXPENSE MANAGEMENT

Despite the proven benefits of travel expense management (TEM) software, many companies still feel tied to their older processes.

You know the type: spreadsheet expense reports, manual approvals and audits, slow reimbursements.

Though these processes may have worked well enough in the past, innovative A/P pros know that nowadays, there's a better way.

A quick checklist

Is your company in need of a TEM upgrade? It's time to find out.

You can review the checklist below, adapted from the business travel experts at TravelPerk.

And check all the boxes that apply to your current T&E process:

- Our travel booking process takes longer than a few minutes or a couple of clicks.
- Employees need to use the phone, a travel agent, travel consultant or email to manage business trips.
- Travelers have more than one

invoice for each trip they book.

- It takes longer than 30 seconds for our current service providers to help employees or finance staffers solve a problem or answer a query.
- To track travel restrictions at home and at travelers' destinations, we scour the web for updates on government websites or in the news.
- Our company books trips for employees – they can't book their own trips.
- We end up spending additional money booking flexible fares or paying cancellation/change fees.
- We have a difficult time getting employees to adhere to our company's T&E policies.

While this list is not exhaustive, the number of boxes you checked could be indicative of your TEM process's digital maturity.

In other words, the more boxes you checked, the more your company should look into adding more T&E automation – whether it's a full-scale solution or extra tools/features that address specific pain points.

Info: bit.ly/item539

TEST YOUR KNOWLEDGE

■ Your company got a letter or notice from IRS: Now what?

You may be filled with stress or dread when you see an envelope from IRS in the mail. But if and when this happens, A/P has to handle it appropriately.

Fortunately, the Service recently posted Tax Tip 2021-52, with tips on what to do and what *not* to do when you get a letter or notice.

Answer *True* or *False* to the following questions to see how much you know:

1. IRS may send you a letter if you have a balance due. And, the Service specifies, you must immediately pay the full balance.
2. Usually, there's no need to call IRS. You just need to follow the instructions spelled out in the letter or notice.
3. After you've handled what the letter instructed you to do, IRS says it's safe to discard the document, since the Service keeps track of all correspondences.

ANSWERS

Cite: irs.gov/newsroom/dos-and-donts-for-taxpayers-who-get-a-letter-or-notice-from-the-irs

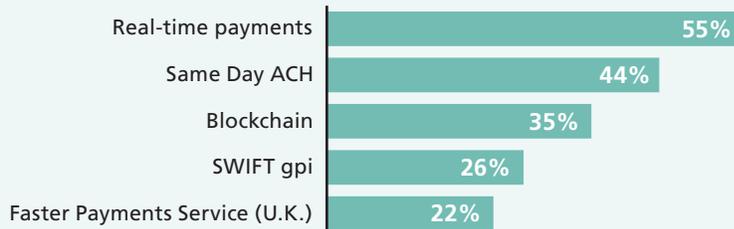
1. *False.* While you do want to pay the amount due, IRS specifies that your company should pay as much as it can, even if you can't pay the full amount.
2. *True.* Typically, you only need to contact IRS if you don't agree with the info, IRS requested more info, etc. If you must call IRS, use the number in the upper right-hand corner of the notice. And have a copy of your tax return and the letter on hand.
3. *False.* IRS says it's important for your company to keep a copy of all notices or letters, ideally with your other tax records, just in case you need them later.

Answers to the quiz:

An array of payment options ...

Which newer payment services are you using or interested in using?

Note: More than one answer accepted. Results were rounded.



Source: Strategic Treasurer, strategictreasurer.com

In the twenty-first century, there are a wide range of new, effective methods that can help take your processes to the next level. The key is to look at all the options available and find the ones that work best for your particular operations, industry, company size, vendors, etc.

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.

1099 reporting: Here's how to handle disregarded entities

When filing 1099s, how should you handle entities that are disregarded as separate from their owners?

Remember: Disregarded entities are never the beneficial owners of income or payees for reporting purposes, says 1099 expert Marianne Couch.

A/P should make its reporting decisions based on the status of the disregarded entity's owner. The owner may be a corporation, an LLC that elected corporate tax status, another entity that's not a pass-through or an individual(s), Couch explains.

Info: bit.ly/entities539

Have to skip a work meeting? Be sure to take these 3 steps

With a busy schedule, there may be times you need to miss a meeting.

In those cases, you should:

1. **Let the organizer know.** Along with telling him or her you won't be able to make it, include the reason why, so they see you have a legit excuse.
2. **Have someone fill you in later.** Ask a co-worker to take notes or relay what you missed. That way, you stay in the loop with everyone else.
3. **Make your presence known next time.** At the next meeting, be sure to arrive early and contribute when necessary, so others see you're still invested in the topic or agenda.

Info: Adapted from bit.ly/skip539

New sales and use tax system? Avoid issues with this policy

The better your people know your sales and use tax system, the fewer issues you'll run into.

So, any time you're implementing a new program or system, it's vital to involve Procurement and other relevant parties, says tax pro Diane Yetter.

If the people using the system aren't

involved or a system's forced on them, it can be detrimental, she adds.

That's why Yetter created a policy that she suggests other A/P departments use: If her team doesn't have all users involved in a meeting, conversation, etc., they won't proceed.

Info: As presented at the A/P P2P Conference & Expo, Las Vegas

Publicizing your A/P wins and successes without bragging

Every department needs to talk about successes to establish credibility and experience. That helps people follow and believe in A/P.

Here's how to share wins without bragging, according to workplace advisor Lisa Earle McLeod:

- **Tie your actions to the bigger picture.** A/P's contributions may have been the greatest, but focus on how it benefited the group goal. Highlight A/P's success in the context of the difference it made to others or your company overall.
- **Lift up others.** Be sure to recognize co-workers or external partners for their hard work involved in any success A/P was responsible for.

Info: mcleodandmore.com

SOFTWARE SKILL BOOSTER

Remember SNOW to quickly open and close Excel files

Given how often A/P pros go in and out of Excel, you should take advantage of its shortcuts.

Use the acronym SNOW:

- **Ctrl + S:** Save a workbook.
- **Ctrl + N:** Create a workbook.
- **Ctrl + O:** Open a workbook.
- **Ctrl + W:** Close a workbook.

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

Late payments – and excuses for them – growing prevalent

Pulse check: Is your company keeping up with payment deadlines amid the pandemic?

Many are struggling to. About half (48%) of U.K. businesses have seen late payments increase big time since the start of the pandemic. And 59% say they're running into more excuses for these past-due bills.

Of course, it's safe to assume similar problems are cropping up stateside. You may want to assess your payment practices, check in with key vendors and make sure you're staying on track.

Info: bit.ly/latepay539

Nacha finalizes new rule on direct deposit reversals

More guidance on direct deposit reversals is coming soon.

Nacha's new rule on handling direct deposit reversals will become effective June 30, 2021.

Along with discussing improper reversals, it'll expand the permissible reasons for a reversal to include a "wrong date" error, where a debit entry was made for a date earlier than intended or a credit entry was made for a date later than intended.

See full details below.

Info: bit.ly/nacha539

Is your company prepared for more OSHA inspections?

To avoid shelling out the big bucks, A/P pros working on-site will want to verify they're following all COVID-19 safety protocols.

OSHA has started a new COVID-19 National Emphasis Program to target industries and worksites where workers face a high amount of coronavirus exposure.

Its primary target list includes both healthcare (e.g., nursing care, dentists) and nonhealthcare (e.g., supermarkets, warehouse and storage) industries.

Info: bit.ly/oshanep539

4 expert strategies to drive more ACH adoption with your vendors

■ Solid advice straight from a Nacha executive

There's never been a better time for A/P to ramp up ACH usage.

The ACH network set two new records in the first quarter of 2021:

- In February, the quarterly volume hit 7.1 billion payments, an 11.2% increase from Quarter 1 of 2020.
- In March, the ACH volume hit 2.7 billion payments, the largest monthly volume in history.

And A/P pros can assume this payment method will only continue to grow in popularity – meaning you want to get vendors on board now.

Leveraging opportunities

Check out four tactics to drive more ACH adoption, courtesy of Nacha's Rob Unger:

1. Introduce it early. It can be hard to change habits. Vendors often "like things the way they are."

So, with new vendors, it's key to introduce ACH during onboarding. In your terms, make ACH the default payment method. Vendors will have to make an effort if they want to opt out and get paid via another method.

2. Pick up the phone. It sounds too simple, right? Not so. A Nacha survey found that contacting businesses directly and asking them to go for ACH was a highly successful tactic.

Unger's advice: Identify which of A/P's vendors receive the most checks. Then carve out time to call them.

3. Take advantage of regular conversations. In a similar vein, Unger says to leverage "teachable moments," when you're already on the phone or a video call with a vendor.

For example: If a vendor rep calls A/P about a check problem, explain how that could be avoided in the future by using ACH payments.

4. Broadcast instructions. People typically don't like what they don't know. And to some vendors, ACH may seem daunting.

Providing instructions or a quick walk-through could help. Unger says to put ACH instructions on mailed documents (perhaps P.O.s), as well as your company's website. The easier you make it for vendors, the more likely they are to get on board.

Info: Adapted from bit.ly/achad539

Plus, taking that info and creating reports for others also falls within the realm of an information service. And their services clearly included analysis reports and marketing surveys.

Analysis: Check before you pay

As this case shows, determining when purchases, especially services, are taxable can be tricky. And vendors don't always get it right.

Anytime you face uncertainty with the taxability of a purchase, it's best to double-check before you pay, so you don't face issues down the line.

Based on State of New York, DTA No. 828619. 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.

Unauthorized checks, transfers: \$30M fraud

Individual: Richard Hajjar, former CFO at Alden Shoe Company in Middleboro, MA.

Violation: Hajjar recently agreed to plead guilty to wire fraud, unlawful monetary transactions and filing a false tax return.

Penalty: He will be sentenced at a later time. If his plea agreement is accepted, Hajjar will face four to six year in prison, followed by supervised release.

Note: During his employment from 2011-2019, Hajjar stole around \$30 million dollars by writing company checks to himself and transferring funds to himself. The former CFO apparently spent the money on gifts and trips for his girlfriend.

Cite: bit.ly/hajjar539

BEC scammer will serve over a year behind bars

Individual: Bintu Toure, resident of Canton, MA.

Violation: Toure pleaded guilty to wire fraud and money laundering conspiracy for her part in a complex business email compromise (BEC) scheme.

Penalty: A judge sentenced Toure to one year and one day in prison, plus three years of supervised release. She also must pay restitution.

Note: With other conspirators, Toure opened bank accounts for sham companies, then sent fraudulent emails to trick employees at real companies into transferring money to those bank accounts. In total, Toure and her co-conspirators were wired more than \$600,000.

Cite: bit.ly/toure539

Sharpen your judgment THE DECISION

(See case on Page 2)

No, the vendor wasn't able to prove its services weren't taxable.

The vendor claimed the services it provided to Jenn's company were nontaxable consulting services. Meanwhile, the state said they were taxable information services.

The judge agreed with the latter argument, saying, "the process of collecting, compiling and analyzing information is the very essence of an information service."

Making Technology Work for You

Blood boiling? How to structure a professional email when you're mad

■ Maintain formality and get your point across

When you're facing issues and feeling frustrated, it can be hard to compose a polite email message.

But it's not impossible.

After all, you know you have to put your emotions aside and maintain a professional persona for A/P – no matter how irritated you may be.

4 expert tips

Check out four tips for composing emails in these instances, from writer, coach and trainer Quiana Darden:

1. Let yourself process it. When emotions are running high, it might be best to step back. A little time and some deep breaths can help you switch mindsets from emotional to rational.

Or, if you feel like you need to vent, it's OK to type out your emotions – just don't hit send. Instead, write it all down in a separate document, then delete it. This can be therapeutic.

2. Make it short and sweet. When

you're frustrated, you might want to do a lot of explaining. But it's actually better to keep it brief, Darden says.

If you're concise, you're less likely to say something you may regret later. Plus, you don't want the recipient to lose your main points among trivial details. A shorter email makes your most important points obvious.

3. Remember email etiquette. No matter what happened, you want to maintain formality, Darden advises.

Start with a proper greeting, get to the point quickly and stick to the facts. Keep your tone respectful, and make sure any follow-up requests or actions on the recipient's part are clear.

4. Review before sending. Darden points out that emails live forever. So before hitting "send," read it aloud.

Listen to how it sounds, verify your points are solid and make sure you feel good about your tone and wording.

Info: bit.ly/email539

6 in 10 breaches caused by employee negligence

■ How A/P can keep information safe, especially remotely

Right now, it's vital to make sure your staffers are being careful with how they relay info internally.

The reason: Employee negligence or errors caused 62% of all insider breaches last year, according to a new report from Ponemon Institute, a research center specializing in privacy and data protection.

New normal, new threats

That high percentage could be due in large part to the recent shift to more remote work.

At home versus in the office, some people may feel more lax and less on guard for breaches and scams.

And with companies relying more

on chat and video functionality to talk shop, there comes more risk of private info being exposed, warns Devin Redmond, a CEO and expert on modern collaboration security.

Staffers may think their chats or video calls are private, prompting them to talk freely about payments, bank account details, etc. But if those virtual spaces aren't totally secure, your company could suffer big time.

A/P's best bet: Act as if the info you're sharing during any virtual meeting – verbally, on your screen or via files – may not be fully secure.

By playing it safe every time, A/P can reduce the risk of breaches.

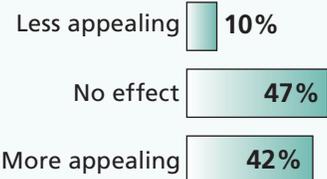
Info: bit.ly/breaches539

How do you stack up?

Automation appeal

How has the pandemic affected your company's attitude toward automating Procurement and back-office functions?

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



Source: Levvel Research, levvel.io

Companies need incentive to shell out money for automation – and right now there's no greater case than the pandemic and the big shift to remote work. Has your A/P department made the push for it?

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

■ Excel: Where tiny errors lead to big repercussions

Ever been the victim of an Excel error – when one little thing messes up your entire spreadsheet?

You're not alone. And honestly, it probably wasn't as bad as any of these real-life incidents:

- 2003: A simple copy-and-paste mistake in Excel cost TransAlta a whopping \$24 million.
- 2005: A Kodak Co. employee added too many zeros, causing an \$11 million overstatement.
- 2011: An Excel templating mistake caused Astezeneca to accidentally release confidential company info.
- 2012: A London Summer Olympics organizer typed "20,000" tickets instead of "10,000," causing them to oversell an event.

Info: bit.ly/error539

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 still trying to pass remote seller or marketplace facilitator laws. Two have notable updates.

FLORIDA – Working in the Sunshine State? Economic nexus rules are *finally* being enacted here.

Beginning July 1, 2021, remote sellers and marketplace facilitators that make more than \$100,000 in Florida sales each year must collect sales tax from you.

So this summer, you'll want to keep a close eye on any remote sellers your company buys from – and ensure they add sales tax when necessary.

Info: bit.ly/fl539

KANSAS – A/P pros here won't have to worry about new marketplace facilitator regs in the near future.

Recently, we told you Kansas introduced a bill to add sales tax collection rules for marketplace facilitators (*see KAP 4/1/21*).

But the governor recently vetoed the bill, killing the proposed regs.

Kansas remains one of the only two states with state-level sales tax without marketplace facilitator regulations (Missouri being the other one).

Info: bit.ly/ks-539

COMPUTER ACCESSORIES

Computer and technology costs can stack up for companies! Check out tax news from one state.

IOWA – Paying for PC accessories here? Some of those purchases could now be exempt.

Iowa recently released a bulletin on the sales tax treatment of computers and related accessories.

Generally, computers used to store or process data/info are exempt here.

And according to the bulletin, some “computer peripherals,” devices connected to computers to put info into or get info out of them, are also exempt.

Peripherals that are exempt include keyboards, monitors, hard drives and printers. Peripherals that are still taxable include adapters, firewall hardware and digital displays.

Info: bit.ly/ia-539

FOOD EXPENSES

From client dinners to travelers' meals, A/P pays for all food expenses and must know when they're taxable. Here's help from three states.

NORTH CAROLINA – Using food providers and cafeterias here? The state recently assessed their taxability.

The case: A customer paid a subsidy to a third-party food service provider when the total cafeteria sales were less than the operational costs. Since the subsidy couldn't be determined at the time of food sales, it wasn't included in the sales price of the food.

Was the subsidy taxable?

Generally, the state taxes sales of prepaid food – but the sales price doesn't include outside charges.

The state ruled that the subsidy paid to the food service provider wasn't taxable, since the subsidy wasn't part of the sales price of the food/drinks.

Info: bit.ly/nc-539

MICHIGAN – When exactly is food taxable in the Great Lake State? A recent opinion letter sheds light.

In Michigan, food sold for human consumption is exempt but prepared food is taxable. “Prepared food” includes food sold with eating utensils provided by the seller.

In one case, a movie theatre that sold prepackaged candy and provided utensils, like napkins, wanted to know if its prepackaged candy was taxable.

The state said food is only considered “sold with utensils” when the utensils actually *accompany* or are added to

the food. Just making utensils available on-site doesn't mean the food is “sold with utensils.” So, the candy wasn't prepared food – it was nontaxable food for human consumption.

Info: bit.ly/mi539

WASHINGTON – This one's for A/P pros who get invoices from vendors in the food industry.

The state just released guidance on its 75% prepared food rule.

Essentially, if a seller's prepared food sales are greater than 75% of the total food sales, it's required to collect sales tax on all food sales.

One exception: Sales of packages containing four or more servings sold for a single price aren't taxable.

Info: bit.ly/wa539

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