



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.

August 2, 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.

Last holdout state passes economic nexus regulations

■ *What the future of online sales tax looks like*

Finally! The last state holding out on economic nexus regulations for remote sellers and marketplace facilitators has pulled the trigger.

As we mentioned, Missouri was the only state with state-level sales tax that didn't yet have sales tax collection requirements for online transactions.

But the governor just recently signed Senate Bill 153, which includes economic nexus requirements.

Starting Jan. 1, 2023, remote sellers and marketplace facilitators making \$100,000 in sales of tangible personal property in Missouri annually must collect sales tax from you.

The good news is the law doesn't technically go into effect for another 18 months. So, you have time to think about what business you're doing in Missouri and evaluate where your gaps are, explains Scott Peterson, VP of U.S. Tax Policy at Avalara.

In an interview with CFO Daily News, Peterson provided insight on Missouri's law and the online tax landscape. Here's what to know.

The next 18 months

Looking specifically at Missouri, there's a pretty complicated sales

(Please see Nexus ... on Page 2)

Thousands of new IRS auditors coming – and soon

■ *The Service is ramping up its efforts, as promised*

Get all your financial ducks in a row, A/P. More IRS audits are coming your way.

Earlier this year, we told you the Service was planning to boost its efforts with more auditors (*see KAP 3/1/2021*).

And now, it's delivering on that promise.

According to Accounting Today, the IRS small business and criminal investigations divisions are adding thousands of new employees.

Specifically, the small business unit will add about 2,000 employees before

the end of September, and the criminal investigations unit will add at least 500 more people this year.

Avoid stress with a little prep

This news from IRS could serve as the catalyst that finance teams – especially at smaller companies – need to review their audit practices.

By taking some time now to make sure you're in a good place, you'll be able to rest a little easier if auditors do come knocking in the future.

Info: bit.ly/auditors544

Sales and Use Tax Regs

Nexus ...

(continued from Page 1)

and use tax regime.

Here, remote sellers are collecting the seller's use tax, not the sales tax. But many of the local governments in Missouri don't have a use tax, Peterson explained. So, if they want to collect revenue for sales made into their jurisdiction, they have to add a use tax.

That's the primary reason the legislature created the 18-month window in Missouri. They wanted local governments to have time to hold elections to put a use tax in place.

And since there are over 2,000 local jurisdictions and most of them don't have a use tax, there could be a lot of elections between now and 2023, Peterson predicts. That means companies need to acknowledge the next 18 months will carry some risk.

Finance should keep track of local elections and potential rate changes. Your company could end up with new tax obligations even before the economic nexus regulations go into effect, simply because a city or special district puts in a use tax.

And A/P will need to be especially vigilant, Peterson says. It's possible that some sellers saw the Missouri news and started collecting tax already. They missed the fact that it doesn't go into effect until 2023. So, you should

watch for which sellers are charging a Missouri use tax and make sure it's legitimate. It's something you see once in a while, and something to watch out for, because you don't want to pay tax that isn't legally due.

A different mindset in the future

Of course, this moment isn't just about Missouri. It's a monumental moment for the country as a whole, since all states with state-level sales tax have passed economic nexus regs.

What does the future tax landscape look like for companies? Where, more broadly, does your head need to be at going forward?

According to Peterson, finance pros should switch their mindset and assume they have sales tax obligations everywhere.

In the past, the rule was "OK, I don't have to pay/collect sales tax anywhere except ABC."

Now, you have the exact opposite, Peterson explains. It should be, "OK, I have to pay/collect sales tax everywhere except XYZ."

Then A/P and A/R will have to tackle the challenge of figuring out where you don't have tax obligations.

By making that the default thinking, your company will be much better off from a risk and safety perspective, Peterson says.

Info: cfodailynews.com, avalara.com, bit.ly/mobill544

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.

■ FMLA dispute: Was staffer recovering or on vacation?

"I'm assuming you know why I called you in," A/P Manager Jenn Smith said to her staffer, Kim, who had recently undergone surgery and taken FMLA leave.

"Not really," Kim said.

Jenn presented a few photos of Kim in Cancún that had been circling around the office that day.

Other staffers hadn't exactly been happy to find out Kim had been laying on the beach and soaking up the sun while she was on leave.

"My photos? Yeah, they're from my recovery trip," Kim said. "I just got back last week."

'Didn't know'

"You were on FMLA leave," Jenn said. "You weren't allowed to travel."

"What?" Kim said. "Well, I didn't know that! I wouldn't have taken the trip if I'd known that."

"It's in our employee handbook. You signed a form saying you read the entire handbook," Jenn said.

"You mean from my first week on the job?" Kim asked. "You expect me to remember that?"

Jenn sighed. "I certainly didn't expect you to use FMLA time for vacation."

"But it wasn't 'vacation.' It was a trip to help lower my stress, so I could recover," Kim explained.

Eventually, the situation ended with Kim being terminated. She sued, saying she was protected by the FMLA.

Jenn's company fought to get the case dismissed. Did the company come out on top?

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



Keep Up to Date on
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EDITOR-IN-CHIEF: ALYSSA PEDRICK

apedrick@CFODailyNews.com

MANAGING EDITOR: RENEE COCCHI

PRODUCTION EDITOR: JENNIFER ERB

EDITORIAL DIRECTOR: CURT BROWN

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Networking with Other A/P Pros

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

1 How I get pressing issues resolved faster

Whether it's hitting an IRS deadline or reimbursing employee expenses, time is of the essence in A/P.

And I felt the same way about getting to the bottom of issues and resolving problems.

The sooner we deal with issues, the less damage done in the long run. The longer things fester, the more negative the effects can be.

The problem is, people are often resistant to talk about problems.

If I'm dealing with a disengaged

staffer or a difficult employee, I'm often met with silence.

So, I came up with a more proactive plan that usually gets people talking.

Timing is everything

Now, I'll call that person (into my office, on the phone, etc.) at 4:00 p.m. on a Friday afternoon.

I know what people are usually feeling at this time: It's nearly the weekend, and they don't want to hang around the office.

First, I'll ask probing questions and trying to get them to open up.

If they're not receptive or willing to talk, I'll throw in a lighthearted comment like, "I know it's Friday night and you probably have somewhere to be. But I don't have any plans, so ..."

Essentially, I'll let them know we aren't leaving or ending our chat until we reach some sort of solution.

Usually, once the person realizes that, they start talking and we can sort things out in a timely matter.

(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 Securing buy-in for direct deposit system

In an episode of "Seinfeld," the main character got writer's cramp from endorsing hundreds of residual checks for a TV appearance.

That scenario actually had a chance of happening in real life, until our organization developed a new direct deposit system through a partnership with a payments processing firm.

However, some studio companies were hesitant to adopt direct deposit because of setup costs. Also, our more veteran members were accustomed

to receiving checks and reluctant to sign up.

3 kinds of outreach

Since direct deposit would be a real time-saver for everyone, from our finance pros to the payees receiving the checks, we wanted to get everyone we could on board.

So, we did several forms of outreach:

1. We did internal campaigns and social media posts talking all about direct deposit.
2. As a more visual medium, we also released some short videos about

direct deposit and its benefits.

3. Lastly, we put ads promoting the new

direct deposit program in our corporate quarterly publication.

All our hard work and outreach effort has paid off.

In a little over a year, we've made over a million payments via direct deposit – and even some of our biggest holdouts are on board now.

(David White, National Director, SAG-AFTRA, adapted from a report by Michael Kahn on nacha.org)

3 Helped team members who hit 'pandemic wall'

With the pandemic still trudging on, we knew some staffers were hitting the "pandemic wall" – that feeling of complete exhaustion and inability or lack of desire to go forward.

It's similar to marathoners who hit the "runners wall" – when they feel like they can't go on to finish the race.

There's no question the pandemic has been stressful for employees.

In fact, we heard 70% of employees call this period in their lives the

most stressful ever. And it was only heightened by the stress-reducing opportunities they missed, such as hanging out with co-workers, structured workdays and social norms.

We wanted to help our team push through the wall and regain their desire to be productive.

Chance to open up

To do that, we started looking more closely for symptoms of burnout, such as performance issues, missed deadlines, tardiness and abrasive behavior.

If we recognized a staffer was struggling, we'd ask, "We've noticed X, Y and Z. Is there anything you want to talk about?"

That alone gave staffers the opportunity to open up. Then they could explore ways to overcome the wall – either with their manager or with someone else.

If necessary, we'd also remind employees of resources we had to help them deal with stress and improve their well-being.

(Terri Patterson, Principal, Control Risks, Washington, DC)

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.

NONEMPLOYEE EXPENSES

It's no secret that the pandemic changed the way people work and companies operate.

During the past year, companies were focused on creating a more flexible workforce. Many turned away from traditional employment in lieu of bringing on nonemployee workers, such as independent contractors and consultants.

There's evidence that supports this, too. Over a third (36%) of companies now reimburse nonemployee expenses, per Emburse's 2021 Travel & Expense Management Trends Report.

Lack of formal processes

The bad news? Since nonemployees are a less-common facet of expense reimbursement, there's often no easy way for these workers to submit receipts and A/P to process and reimburse these expenses in a timely fashion, Emburse explains.

More than half (59%) of companies don't even have a formal T&E policy for nonemployees.

With no set policies or efficient

processes, the door's left open for time and money wasted in many forms – manual errors, fraudulent activity, even damaged relationships between companies and workers.

To avoid issues with nonemployee reimbursements in today's more flexible workforce, A/P can:

1. Create or expand T&E policies for nonemployee expenses. Verify they're reflective of the current times and clear for both your own finance staff and the workers they're reimbursing. It could help to go over the policies with several trusted nonemployees or unbiased people to get an outside perspective. Ask: Are they straightforward? Is anything unclear or potentially problematic?

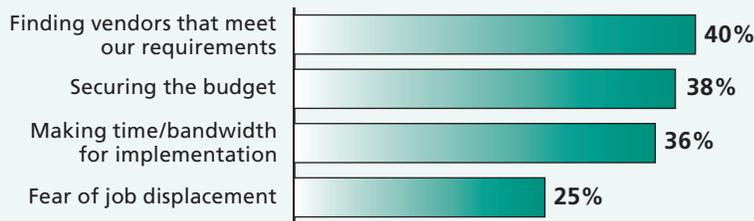
2. Look to implement a more efficient nonemployee expense reimbursement process. Nowadays, many software providers are adding a new "piece" to their travel expense management systems that accounts for nonemployee expenses. There are also smaller-scale apps that could help streamline some of the tedious steps for nonemployees and A/P alike.

Info: bit.ly/nonemployee544

Obstacles to automation

What are your top challenges in adopting financial automation?

Note: More than one answer accepted.



Source: Invoiced, invoiced.com

While there are a plethora of automated solutions geared toward A/P on the market, finding the perfect fit for your company and operations isn't always easy. One suggestion: Ask for recommendations from A/P peers that are similarly situated to you in company size, industry, staff headcount, etc.

TEST YOUR KNOWLEDGE

ACH, EFT and EDI payments: What's the difference?

In A/P, you may hear people refer to e-payments in various ways: ACH, EFT and EDI. But these terms aren't interchangeable – they refer to different things.

Do you know the distinctions between each type of payment? Answer *True* or *False* to the following to find out:

1. "ACH" is a generic term that refers to any payment transferred electronically from one financial institution to another, including credit and debit card transactions.
2. EFT payments are governed by both the Electronic Funds Transfer Act and regs from various associations.
3. "EDI" stands for Electronic Data Interchange, and it's a specific format used to exchange financial data through computers.
4. Nacha's Operating Rules apply to all types of EFT payments.

ANSWERS

- Cite: bit.ly/epayments544*
1. *False.* The generic term for these payments is "EFT" (Electronic Funds Transfers). ACH payments are those specifically sent via the U.S. ACH network, such as direct deposit payments.
 2. *True.* Along with the Electronic Funds Transfer Act, which creates consumer protections and sets guidelines for transferring funds, each EFT payment type (e.g., credit cards, virtual currency) is also controlled by governance from individual associations.
 3. *True.* Examples of EDI include invoices and remittance info.
 4. *False.* Because Nacha controls the ACH network, its operating rules only apply to ACH transactions.

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.

Want to make a change in A/P? Do this early on

From amending expense policies to switching payment methods, anytime you want to change things, you could be met with resistance.

That's why you should figure out early on who or what your biggest stumbling block(s) will be, advises Senior A/P Manager Lloyd Briggs.

Example: When his A/P team wanted to implement ACH, Briggs knew their company's super strict legal team would be their biggest hurdle. So, he got to them right away to get things rolling and prove ACH was low-risk.

Info: As presented at the A/P P2P Conference & Expo, Orlando, FL

3 nonverbal cues to watch for during virtual conversations

What *isn't* said in virtual chats is just as important as what is said. That makes it key to hone in on nonverbal cues like you would in person.

According to leadership expert Jeff Wolf, you should watch for:

1. **Repetition.** Repeated movements like nods (agreement), shakes (disagreement) or glances away (disinterest) reflect how people really feel – despite what they might say.
2. **Eye contact.** If they don't make "eye contact" (look into the camera) they may be uncomfortable or lying.
3. **Posture.** For example, slouching shows disinterest. Leaning back or rocking indicates boredom. Leaning forward shows interest or intrigue.

Info: bit.ly/communication544

Why people don't speak up about wrongdoings

A/P always has to be on the lookout for fraud, security threats, toxic behavior and more.

Unfortunately, many people don't speak up when they see wrongdoings

because they're afraid of repercussions, says Harvard Business School. One study found 80% of whistleblowers get harassed and 60% lose their jobs.

To encourage more openness:

- Reaffirm that silence is everyone's problem. Speaking up is the shared goal. You're all in this together.
- Share positive stories of times people spoke up against wrongdoings. (No need to name names, though.)

Info: bit.ly/wrongdoing544

The 'MoSCoW' framework for better prioritization

A/P has to make hard decisions, like: What software features are most vital? Which metrics should you track?

No matter what the question is, "MoSCoW" can help A/P prioritize by separating items into four groups:

- must-haves
- should-haves
- could-haves, and
- will-not-have-right-nows (or wishes).

Your M and W items are usually nonnegotiable, explains business pro Veronica Miller. S and C items are more negotiable and can be talked through.

Info: bit.ly/prioritize544

SOFTWARE SKILL BOOSTER

Keep your computer working efficiently for the long haul

You may regularly clean out your PC files ... but when was the last time you cleaned your actual computer?

Experts recommend doing so every three to six months.

Turn it off, unplug all cords, wipe it down with a cloth and blow compressed air to get rid of debris.

Info: bit.ly/computer544

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

PAYABLES NEWS

■ New deadline for settling ACH payment disputes

If your finance team has dealt with any automated clearing house (ACH) disputes recently, you'll want to jump into action soon.

As of June 30, 2021, a new Nacha rule limits the timeframe a Receiving Depository Financial Institution (RDFI) can make a claim against the originating institution's authorization warranty.

Your team now only has one year from the settlement date of the entry to make a claim on it. That applies to nonconsumer accounts.

And note: The new limit isn't arguable. Even if you discovered a problematic transaction from before the new rule kicked in, you still only have a year from that date.

Info: bit.ly/claims544

■ Midyear sales tax report: Where things stand now

Halfway through 2021, what does the tax landscape look like for A/P?

Avalara just released its midyear sales tax report that can help you find out. It covers hot topics like:

- tax exemptions for essentials
- remote seller regs (see *related story on Page 1*)
- a change in sourcing rules, and
- miscellaneous tax issues.

Info: bit.ly/midyeartax544

■ Another federal holiday to add to A/P's calendar

Each year, you have to keep an eye on where federal deadlines fall. And from now on, you'll have one more holiday to watch for.

On June 17, 2021, President Biden signed legislation to make Juneteenth (June 19) a legal public holiday.

Going forward, Juneteenth could impact your payment due dates and certain filing deadlines since banks, nonessential government offices and post offices are typically closed.

Info: bit.ly/juneteenth544

Vendors are concerned about credit risk: How A/P can ease their worries

■ 4 expert strategies to keep your business relationships strong

In a time of uncertainty and lingering pandemic concerns, your vendors are desperate to avoid credit risk.

That's one of the biggest takeaways from the National Association of Credit Management (NACM)'s 2021 Credit Congress & Expo Virtual Plus.

COVID-19 changed how vendors look at risk. The business world is in uncharted territory now, pandemic recovery has been sporadic and anything could happen still.

Your vendors' top priority now, according to Jay Tenney of Trade Risk Group, is to know *your* company – and if it's a well-run company.

Be accommodating, transparent

There are steps A/P can take to keep vendors' credit risk worries at bay and your relationships profitable. Check out four strategies Tenney pointed out during an NACM session:

1. Stay within terms. Vendors may be more proactive in making sure you're within payment terms and credit limits. In A/P, be open to having discussions and do everything in your power to adhere to terms.

2. Share financial statements. The pandemic has changed the way people look at sharing information. In fact, Tenney now has may clients that tell customers directly: "If you want X level of credit, we need to see your financial statements." Generally, A/P should be understanding of this.

3. Be ready for new information requests. As mentioned, COVID-19 changed people's perceptions on how they look at risk and relationships. And while financial statements are the standard request, Tenney says many vendors now want to see customers' cash flow statements, too. So, be ready to get these requests and prove you're in a good position cash-wise.

4. Provide contacts. Vendors may be interested in talking to your bank, your customers or other vendors to get more insight on your company. Again, try to be as open and understanding as possible. Talking to these contacts could help show vendors that your company is a viable partner.

Info: As presented at the NACM's 2021 Credit Congress & Expo Virtual Plus

copy of the employee handbook to the court – and a form Kim had signed saying she'd received and read it.

The court said that documentation justified the company's act of firing the employee for violating policy.

Analysis: Documentation wins

Once again, documentation saved the day. This case is a good reminder for A/P to have staffers (and other employees) sign off that they've read and understand policies, so you can prevent "I didn't know" excuses.

Based on Pellegrino v. Communication Workers of America. 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.

A/P pro submitted over 700 fake travel expenses

Individual: Tan Nyuk Hong, former senior A/P analyst at Autodesk Asia in Singapore.

Violation: The former A/P pro pleaded guilty in court to a six-figure fraud scheme.

Penalty: She was sentenced to serve four years in jail.

Note: As a senior A/P analyst, Hong used the company's accounting software system to regularly submit fake travel claims. She would input legitimate-looking info (e.g., reference number, employee info, reimbursement amount) but add her own bank account number when specifying where the payment would go. After several years, an internal audit spotted the suspicious payments going to her account.

Cite: bit.ly/hong544

Transferred \$550K to a shell company

Individual: Jason Cory, former CEO of an IT services company in Jacksonville, FL.

Violation: For allegedly stealing almost \$550,000 from his own company, Cory was charged with three counts of wire fraud and one count of money laundering.

Penalty: Details of his sentencing have not yet been released. Cory faces a max of 20 years in prison for each count of wire fraud and 10 years for money laundering.

Note: Cory often authorized and sent wire transfers to Gambit Matrix LLC. He told employees Gambit provided services for the company, but actually, it was a shell company – and Cory controlled its bank account.

Cite: bit.ly/cory544

Sharpen your judgment THE DECISION

(See case on Page 2)

Yes, Jenn's company came out on top. The court dismissed the case.

The ex-staffer, Kim, claimed she wasn't aware that she had to get permission to travel. Otherwise, she wouldn't have taken the trip.

Kim also said her trip was to help her recover from her recent surgery. And since she was fired for taking a trip to help her get well, it was a violation of her FMLA rights.

But Jenn's company presented a

Making Technology Work for You

New survey: Spreadsheets still prevalent in payment processes

■ *Despite newer tech, many cling to tried-and-true programs*

Regardless of how much the FinTech world criticizes manual spreadsheets, they're still a reality for the majority of A/P teams.

In fact, 64% of companies still use spreadsheets in some way to support their payment processes, according to a recent survey from IDC.

While A/P might like to ditch manual spreadsheets for more automated processes, sometimes, that's not possible.

Whether it's due to economic constraints or the fact that staffers are Excel pros and it simply works well, it's safe to say manual spreadsheets will be around for some time to come.

Update and optimize

Of course, if A/P's going to use tried-and-true programs like Excel, you want to do so efficiently.

It'd be smart to verify all staffers have the latest version of Excel

installed. (And, going forward, they should keep looking out for updates).

If they haven't updated the program in a while, they could be missing out on new functions, more chart options, enhanced sharing features and developments in business analytics (*search "Excel 2019" on our website for details on these newer features*).

In addition, to save both time and money, you'll want to make sure staffers are regularly upping their skills and becoming more efficient with spreadsheets.

For example, see if you could bring in an expert to host training sessions semi-annually to go over recent updates and more strategic functions, formulas and data analysis tips.

You could also encourage staffers to regularly share their spreadsheet best practices for data entry, keyboard shortcuts, formatting and more.

Info: bit.ly/spreadsheets544

Power to the PDF: 3 questions A/P should ask

■ *The document type becoming more widely used*

Since the pandemic struck and people shifted to remote work, PDFs have become a more important file type in everyday operations.

And PDFs haven't just gained significance in terms of internal communications – they've risen in ranks for communication with vendors, customers, etc.

Make the most of them

Given the increase in PDF usage, A/P will want to stay on top of the latest advancements with this type of document.

You can ask these three questions to make sure you're on the right path:

1. **Is that PDF editable?** It's no

longer enough for your PDFs to just be a picture of a stagnant document. In fact, 59% of your peers say their need to edit PDFs has risen, according to research from Foxit Software.

2. **Can digital signatures be added?** We recently mentioned how much e-signature usage rose during the pandemic (*see KAP 7/14/21*). And according to Foxit, 53% of companies say their desire for e-signature technology has grown.

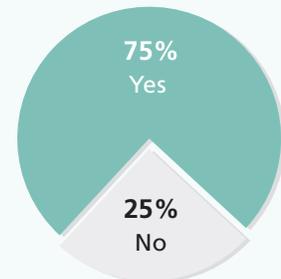
3. **Is that PDF secure?** Lastly, 45% say the need for document security is up – especially considering 42% of people now access PDFs on their mobile devices more frequently.

Info: bit.ly/pdfs544

How do you stack up?

Monitoring key metrics

Can you track your Days Payable Outstanding (DPO)?



Source: IOFM & Hyland, iofm.com, hyland.com

DPO is the easiest metric to collect, says IOFM. So, the one in four companies who don't track it yet can and should get started right away. Doing so will help them better understand their overall cash cycle.

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

■ **Quotes to inspire greater success – in work and in life**

For A/P pros, this past year's been a tough one! You might need extra motivation to keep on keeping on.

Here are some "success quotes" to help you power through work:

- "I haven't made one mistake that I haven't used as a stepping stone to get somewhere else." – Gwyneth Paltrow
- "To succeed in life, you need three things: a wishbone, a backbone and a funnybone." – Reba McEntire
- "Success is falling nine times and getting up ten." – Jon Bon Jovi
- "Celebrate what you've accomplished, but raise the bar a little higher each time you succeed." – Mia Hamm

Info: rd.com/list/success-quotes

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 GOODS

States must continue to address the taxability of digital purchases. Two states have news now.

NORTH CAROLINA – This one's for companies that buy online reports.

A recent case looked at a vendor that sold subscriptions to customers to access reports in the cloud (i.e., a web portal), as well as other relevant information and data.

North Carolina taxes "certain digital property," including, newsletters, reports and other publications.

And the state said these reports fell under "certain digital property," so the subscriptions were taxable.

Info: bit.ly/nc544

MASSACHUSETTS – Paying for digital products here? Massachusetts clarified what that definition includes for sales and use tax purposes.

In a revised version of *Business Tax Tip #29*, the Comptroller discusses the application of tax to:

- certain exempt software products
- services provided electronically
- services, tangible personal property and digital products provided by advertising agencies, and
- continuing education classes, seminars, conferences, courses, etc.

You can check out the tax tip below.

Info: bit.ly/md544

FEES

Are fees subject to sales and use tax? The answer's not always clear, but two states are providing insight.

TEXAS – Here's help for A/P pros in the Lone Star State that pay for membership fees.

A Pennsylvania-based nonprofit

sold memberships annually for a single fee, plus a one-time application fee. The membership provided access to:

1. an online library of industry reference documents, publications and magazine subscriptions, and
2. a platform with articles and papers written by industry experts.

Were the fees taxable?

In Texas, membership fees are taxable as an information service. So, it was determined that the nonprofit must collect sales tax on their membership fees in Texas.

Info: bit.ly/tx-544

MISSOURI – Does your company provide gym or other fitness perks for employees? Check out this sales and use tax case.

The Department of Revenue (DOR) assessed a health and fitness club that charged people a monthly fee to go to group classes led by a coach and use gym equipment with the help of a coach.

The state typically taxes admission fees – but not for instructional classes. The DOR said since the gym's fees were for activities that always included a coach, the fees weren't taxable.

Info: bit.ly/mo544

MEDICAL PURCHASES

For A/P pros in the medical field, there are some tax nuances. Check out recent news from two states.

MICHIGAN – In case you missed it, Michigan added an exemption that may benefit your organization.

The state now exempts prosthetic devices for human implantation to hospitals and certain surgical outpatient facilities.

To be exempt, the device must:

- artificially replace a missing body part
- prevent/correct a physical deformity or malfunction of the body, or
- support a weak/deformed body part.

Info: bit.ly/mi-544

MARYLAND – Here's some new guidance for A/P pros who work at or with nonprofit hospitals.

A company wanted a sales tax refund for cleaning supplies used at nonprofit hospitals. Along with providing supplies, the company supervised and trained hospital employees on housekeeping.

Generally, Maryland exempts sales to nonprofit hospitals and its agents.

But the court ruled the company wasn't an agent because the hospitals didn't control what the company bought, and the company didn't have to put the hospitals' interests above its own.

Since the company wasn't the hospitals' agent, the exemption didn't apply to its purchases.

Info: bit.ly/mary544

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