



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.

November 1, 2021

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CFO DAILY NEWS

CFO Daily News, part of the SuccessFuel Network, provides the latest finance and employment law news for finance professionals in the trenches of small-to-medium-sized businesses. Rather than simply regurgitating the day's headlines, CFO Daily News delivers actionable insights, helping finance execs understand what finance trends mean to their business.

IRS revises 1099 instructions: Changes A/P needs to know

■ What's new for 1099-MISC and NEC

Get ready, A/P! IRS just released the latest draft of the instructions for Forms 1099-MISC and 1099-NEC.

Per the draft, the updated instructions should be effective January 2022. Here's a rundown of what'll be most important for you.

Latest updates

The new instructions note that Forms 1099-MISC and 1099-NEC have become "continuous-use" forms, along with their instructions.

This means that the forms will no longer be updated annually. Instead, they'll be revised as needed

throughout the year. So be on the lookout for more frequent revisions.

Also watch for a new box 13 on the latest edition of the forms. Box 13 will be designated for filing requirements of the Foreign Account Tax Compliance Act (FATCA).

Because of this addition, boxes 13-17 on the old forms have been renumbered to boxes 14-18 on the new forms.

The instructions also contain a note about a big change that would likely affect how your entire company submits tax returns to IRS: the

(Please see 1099 ... on Page 2)

IRS announces updated special per diem rates

■ Critical info for reimbursing business expenses this year

Update your records: IRS has announced the new special per diem rates for business travelers, effective Oct. 1, 2021, through Sept. 30, 2022.

Notice 2021-52 lists the new rates. Here's what A/P needs to know.

Changes to watch for

If you're using the high-low method to substantiate expenses, the new per diem rates are \$296 when traveling to high-cost areas and \$202 for travel to any other localities in the continental U.S. (CONUS).

Of these rates, the amount that's designated for employee meals is \$74 for high-cost areas and \$64 for the other areas within CONUS.

There's one new high-cost locality for this year: Hilton Head, SC. Gulf Breeze, FL, has been removed from the list.

For companies in the transportation industry, this year's special rates are \$69 for any area within CONUS and \$74 for areas outside of CONUS.

The rates for incidental expenses remain \$5 a day for all areas.

Info: bit.ly/irsperdiem550

New Filing Instructions

1099 ...

(continued from Page 1)

implementation of the electronic filing requirements laid out in the Taxpayer First Act of 2019.

This would allow the agency to lower the threshold for filing electronic returns from 250 to 100 returns. Per the draft instructions, if this occurs, it'll be valid for tax year 2022, with the e-filing requirement in place for 2023. So you won't have to worry about it for this year-end, at least.

Keep in mind, though: The new threshold will apply to all of a company's tax returns – not just Forms 1099-MISC and NEC.

Important reminders

Besides updated info related to filing, the draft instructions for Forms 1099-MISC and NEC also contain helpful reminders for submitting the form after year-end.

The deadlines will remain the same in 2022. Form 1099-NEC must be submitted by January 31, whether it's filed on paper or electronically. With Form 1099-MISC, A/P must submit the form to IRS by February 28 if filing on paper and March 31 if it's filed electronically.

To more easily provide people with copies of the forms, the IRS now has online versions of copies B, C, 1 and 2 available. The forms are saved as PDFs that can be edited online and provided to your payees. You can also complete them for your internal records.

Another thing to keep in mind: Companies can either use box 2 of Form 1099-NEC or box 7 on Form 1099-MISC to report sales of \$5,000 or more of any product for resale, as well as products sold on a buy-sell or a deposit-commission basis.

If you use Form 1099-NEC for this, it must be submitted to IRS by the January 31 deadline.

The new instructions also contain info about what you should do if you need to file corrections for previously submitted forms. If you have to file a correction on a paper form, be sure not to check the VOID box on the form. This signals IRS' software to automatically ignore this form when it's processing returns, so the correction won't be entered.

For the proper correction procedure with paper forms, see part H in the most recent General Instructions for Certain Information Returns. The procedure for electronic corrections is in Publication 1220.

Info: bit.ly/draft550

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.

■ Disability-related remote work request denied: Bias?

Seconds after A/P Manager Jenn Smith sent the email to staffer Kenny Knechel, she could hear him shout: "Come on, Jenn! Really?"

Jenn briskly walked over to Kenny's cubicle and said, "I can tell you're upset. Let's talk in my office."

Once in Jenn's office, Kenny said, "You know how bad my PTSD gets sometimes. The least you can do is let me work from home more."

"Kenny, we can't," replied Jenn. "Allowing you to work outside the office more than one day a week isn't possible since there are several tasks that we need you to physically be here to do."

Is it discrimination?

"I think you and the powers that be around here have something against me because of my condition," Kenny said.

"We've worked with HR to provide all the accommodations for you that we can," Jenn said.

"Expanded remote work might be something we can allow for A/P in the future, but not until we figure out how to make our system more digital and less reliant on paper," she continued.

"My doctor says I might need to be reassigned," said Kenny.

"You're free to apply if there are any openings available," said Jenn.

However, Kenny quit instead, and he sued the company for discriminating against him for his mental health condition.

Jenn's company tried to get the case dismissed. Was it successful?

■ *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 Tactics to find the right finance contact

It was crucial to securely verify banking information from our vendors, such as account and routing numbers.

That typically meant calling a controller or accounting manager.

But because some automated voicemail systems are like mazes, getting through to the right person could be difficult. Over time, I found several strategies to help.

Strategies that work

To bypass menus, voice prompts or automated routing systems to quickly

reach a human, pressing 0 to bypass the system and speak to an operator is often effective. And sometimes it's faster to get a hold of a live person by not responding at all when prompted by an automated phone system.

Occasionally, I can find direct contact info for the finance person I need on the company's website first.

If I can't find that, I'll often search the website for a direct number for new customers, new orders or subscriptions. A person usually answers that number, and they may be able to transfer me to finance.

Another option is using a live chat messaging

option on a company website to send a message straight to finance.

If none of those work, we'll mail them a letter and vendor setup form. We give them the option to mail it back or scan and email it to A/P. It's slower, but always gets a response.

Once we have the banking info, we make a follow-up phone call to the contact to verify it, as well as what extension/direct number we need to keep on record so we can get in touch more easily later.

(Brinna Rischen, Accounting Manager, FirstFruits Farms, Prescott, WA)

IMPROVING YOUR OWN A/P PROCESS

2 How we improved vendor relationships

Although our workplace was essential and remained open during the pandemic, I knew that our vendors were dealing with new challenges working with other offices that had gone hybrid or fully remote.

It was a good time to ask if there was any way we could help them out.

Adjusted during crisis

When I contacted our biggest vendors, a common request to make

their lives easier was switching our primary communication with them to email.

This was the beginning of an open door policy where we started discussing ways to help each other.

First, we asked our vendors to help us resolve issues with duplicate invoices or payments. From there, we started having more proactive discussions about supply chain disruptions, payment terms and early payment discounts.

Some vendors started asking to

see additional financial statements in order to extend credit. So finance began accommodating

requests for cash flow statements.

In addition, we provided them with contacts at our bank for more insight on how the company was doing.

Taking the time to talk to vendor contacts, while being as open and understanding as possible, has strengthened our long-term partnerships.

(Cassie Tryggeseth, Accounts Payable Manager, T.A. Solberg Co. Inc., Minocqua, WI)

3 Getting everyone on board with changes

Our department had people who were eager for A/P automation and innovation, and people who were comfortable with the way we had always done things.

"If it ain't broke, don't fix it," one of them said.

But challenges brought on by the pandemic, like processing invoices from home, showed that we needed to adapt as many digital solutions – and rely on as few manual/paper

processes – as possible.

But what was the best way to get everyone in the mindset to adapt?

Start with the critics

My boss's advice for handling difficult people, which I hated at the time: Win over your biggest critic first. That person was easy to identify – the requisitioner that always had a "but" response.

We brought her in, explained the reasons behind the changes, listened to her opinions and concerns,

and then identified elements of the new tools she'd consider a plus.

Once we got her on board, it was a breeze to get everyone else to buy in. We asked for feedback in staff email surveys and blocked off time for individual chats about the changes.

Winning over critics of A/P upgrades should be included as part of the decision making from the get-go, so they'll embrace it when it rolls out.

(Judy Bicking, P2P and O2C consultant, as presented at the A/P P2P Conference & Expo, Orlando, FL)

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.

BUSINESS EXPENSE SOFTWARE

You know from experience that managing expense reports manually can be time consuming and costly.

Now, there's hard data that backs you up on this and shows why automation is essential.

According to a survey from the Global Business Travel Association, it takes an average of:

- 20 minutes, and
- \$58 worth of resources to process a single expense report.

Things get even worse if you discover an error, which happens with nearly 20% of expense reports, per the survey.

Each error adds an additional:

- 18 minutes to the processing time, and
- \$52 to the cost.

With all your company's business travelers, this adds up fast. And it keeps you from completing other important, time-sensitive A/P tasks.

Expense management software can help A/P save time and streamline reimbursement by making the entire

T&E process digital, from tracking costs to reviewing receipts.

What to watch for

But you want to make sure any spend management solution you end up using is actually a time-saver and doesn't create additional hassles for A/P. With that in mind, double-check that the top contenders are:

- **user friendly**, so it's not taking you more time to navigate the system than manual data entry would
- **scalable**, so the solution has the ability to grow with your company and its changing financial needs
- **mobile**, so it can be accessed easily by traveling workers on the go, and
- **visible**, so you can easily see spending data and how it's affecting budgets and the bottom line.

Work closely with your CFO and IT to ensure that the solution fits in seamlessly with your current workflow and targets your specific pain points. That way, it'll help you regain the most time in your workweek.

Info: bit.ly/software550, bit.ly/software25550

TEST YOUR KNOWLEDGE

■ Fall B notice season: Will you need to backup withhold?

To avoid trouble with IRS, it's important to take care of any backup withholding B notices you receive quickly and efficiently.

In certain cases, you're required to withhold taxes on payments reportable on Form 1099 or W-2G, and if it's not done correctly, you'll hear from the Service.

Answer *True* or *False* to the following to test your knowledge on how to proceed.

1. B notices are issued by IRS only if a payee/vendor's Taxpayer Identification Number (TIN) isn't reported on a W-9 form.
2. IRS lets you know when you have to begin backup withholding of 24%.
3. You must mail the B notice and a Form W-9 to the payee/vendor within 15 business days from the date printed on a CP2100 or CP2100A notice, or the date you received it (whichever is later).

ANSWERS

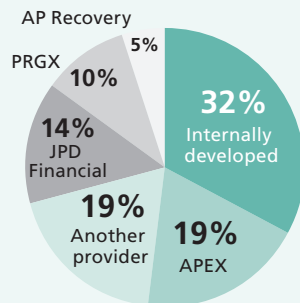
- Cite: bit.ly/bnotice550*
1. *False.* Businesses are also subject to getting a B notice if IRS finds that its payee/vendor's name and TIN don't match in the Service's records, if the TIN isn't nine digits or if it contains something other than a number.
 2. *True.* The official notification is a CP2100A notice (less than 50 information returns with an error) or a CP2100 notice (50 or more information returns with errors).
 3. *True.* It's also a good idea to send a reply envelope. Your outside mailing envelope must be clearly marked "IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED."

Answers to the quiz:

Stopping duplicate payments

What solutions do you use for auditing duplicate payments?

Note: Percentages are rounded up



Source: Peeriosity, Peeriosity.com

Even with the integrated controls of an ERP system, many companies supplement their audits of duplicate invoices with other A/P solutions or even an outside audit recovery firm. These added safeguards can save big bucks, so you may want to ask the top brass or IT if a similar system is feasible for you.

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.

Should vendor banking info be kept in the master file?

Something to keep in mind the next time you clean up your master vendor file: You might not need to store banking data in your ERP.

According to vendor master file advisor Debra Richardson, you should purge that info because it reduces:

- the potential for internal payment fraud by eliminating access to view/update banking information
- fraud risk when accepting banking changes via email, and
- email/phone inquiries from your staffers and vendors about changes to remit information.

Got a problem? Try solving it by brainstorming in reverse

Instead of using a traditional brainstorming process, shake things up and have your team “reverse brainstorm” by looking for ways to make a problem worse, like increasing employee turnover or delaying invoice approvals.

Once you achieve a good number of negative solutions, talk about how to undo/reverse them to uncover the real solutions. It seems counterintuitive, but it can help your team find new angles for solving problems.

Info: bit.ly/reverse550

Short, non-work chats bust stress, improve your mood

If you're stuck in back-to-back Zoom meetings and feeling stressed, something that can help is taking a minute to have a positive conversation unrelated to work to connect with your co-workers in a personal way.

Social connection can reduce stress hormones and release a hormone called oxytocin in your brain, potentially boosting motivation and creativity. This'll help you fight

Zoom fatigue and get things done.

Info: bit.ly/talk550

How long should you keep company property records?

IRS says you need to keep property-related records to determine depreciation, amortization or a depletion deduction, plus the gain or loss when you sell or dispose of any property.

But how long do you hold onto these records? Answer: Until the period of limitations expires for the year in which you sell/dispose of the property, the Service says.

For more info about the period of limitations windows in which you can amend a tax return to claim a credit or refund or IRS can assess additional tax, go to bit.ly/records550.

SOFTWARE SKILL BOOSTER

Keyboard activating the Formulas bar in Excel

Don't want to take your hands off the keyboard while editing info in an Excel worksheet cell? The F2 key can be used to activate the Formulas bar.

Display the File tab of the ribbon, then click Options. Click the Advanced option at the left of the dialog box. Make sure the “Allow Editing Directly in Cell” check box is cleared, then click OK.

Now when you press F2, the Formulas bar will be selected, and you can edit the formula there using the normal editing keys.

The insertion point will be at the end of whatever is shown in the Formulas bar. You can use the arrow keys to move around. The Home button will take you to the left side of whatever is in the Formulas bar.

Info: bit.ly/F2550

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

PAYABLES NEWS

■ New, free seminars on important tax topics from IRS

A/P pros who want to brush up on their tax knowledge can attend several new self-study seminars from IRS. Best of all, they're free of charge if you aren't seeking continuing education credits.

The seminars are based on sessions from recent Nationwide Tax Forums, and they cover topics such as the gig economy, tax fraud, due diligence audits and tax law changes from a forms perspective.

Info: irstaxforumsonline.com

■ Latest on CA independent contractors from courts

Classifying independent contractors correctly continues to be a tricky situation in California, where an appeals court just ruled in favor of a worker's claim that he should've been an employee.

In *Lawson v. Grubhub*, the Ninth Circuit said the lower court must use the ABC test, established by an earlier court decision (*Dynamex v. Superior Court*), to determine whether the worker's duties made him an employee who's owed back pay and expense reimbursement.

With the ABC test, workers are considered employees unless their employer can show they performed their work free of control, did work that's outside the company's normal course of business and are regularly employed in an independent trade or business of the same nature as the work done for the employer.

Info: bit.ly/classify550

■ Consider 'unbanked' workers when reimbursing expenses

You might want to tailor your reimbursement policies to account for workers who are “unbanked” and may not have a credit or debit card.

One in 10 U.S. adults don't have a checking or savings account at all, according to new data from research firm Morning Consult.

Info: bit.ly/unbanked550

Bias training: Strategy to keep pushback from staff to a minimum

■ Tactics for minimizing backlash to conversations about diversity

Training that's supposed to encourage inclusion in the workplace can, unfortunately, become a source of controversy.

Identifying and addressing biases – including unconscious bias – can make people uncomfortable because it may involve admitting to being biased.

Yet bias training, which breaks down social differences, inequities and ingrained ways of thinking, can lower the risk of a discrimination complaint against your firm.

President and CEO of Integrity Development Corp. Eric Ellis offers A/P pros a three-part strategy for improving attitudes about discussions regarding workplace diversity.

Taking a closer look

1. Start with the dominant culture. Instead of jumping in by talking about discrimination right away, take a walk around the building and observe the kinds of work being done in different departments and the demographics of the people performing it.

Consider what diversity issues could impact the dominant culture

in the organization and tie bias training back to what they may be experiencing to cultivate empathy.

2. Make sure minorities have a place where their issues can be heard. How capable are your leadership team and board of directors of directly discussing difficult issues affecting members of stigmatized groups that are in your organization?

Also, look at minority group representation in management roles. If it needs improvement, come up with reasonable steps your company and department can take long-term to achieve that.

3. Remember the importance of relationships. Understanding and empathy in supervisor-employee relationships goes a long way in minimizing workplace bias.

Listening sessions involving various groups of people can help. Hearing co-workers open up about challenges they've gone through with being isolated or harmed can help everyone understand each other better and lead to more effective bias training.

Info: bit.ly/biastrain550

granted to Kenny's co-workers, so there was no discrimination.

Analysis: Keeping it reasonable

Workers with mental health conditions are protected by the Americans with Disabilities Act, so employers need to make reasonable efforts to accommodate them.

However, if an accommodation request means an employee can't perform essential functions of the job, a judge can declare the request is unreasonable. With that in mind, be sure expectations for jobs are clear.

Based on Brown v. Austin. This case was fictionalized for dramatic effect.

MISTAKES THAT COST

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

Approved fake invoices to receive kickbacks

Individuals: Eugene DiNoto and Elliott Kleinman, Bel Air, MD.

Violation: The two are accused of running a scheme where they committed fraud against their employer by approving inflated invoices with false charges from suppliers in exchange for a cut of the vendors' profits.

Penalty: If convicted, the men face decades of prison time for various charges. They'll also be asked to forfeit \$13 million in assets, along with a car, a bank account and a recreational vehicle.

Note: To hide the fact that they were receiving payments from the vendors, each man created a fake business and had vendors issue the kickback checks to the businesses.

Cite: bit.ly/invoice550

Falsified A/P and other company financial info

Individual: Rickey Carter, owner of a tractor supply company in Nashville, GA.

Violation: Carter pleaded guilty to bank fraud for an elaborate scheme in which he used fake financial info to obtain various business loans. At one point, he instructed employees to create payment checks on accounts payable, but not send them to reduce A/P and inflate the company's net worth.

Penalty: The former business owner will serve over five years in prison and must pay \$6.3 million in restitution for his crimes.

Note: Carter also secretly sold farm equipment without giving the proceeds to a creditor as required.

Cite: bit.ly/farmloan550

Sharpen your judgment THE DECISION

(See case on Page 2)

Yes. Jenn's company was able to get the lawsuit dismissed.

Kenny claimed the company's failure to accommodate his request was disability bias.

But the court said his telework request was unreasonable, ruling that:

1. An essential part of the position was being in the office four days a week.
2. Expanded telework wasn't being

Moving to OCR to scan invoices? Important boxes to check off

■ Increase A/P efficiency by eliminating manual data entry

So you got the green light to start using optical character recognition (OCR) software to capture text and data from paper and email invoices and convert it into searchable, editable digital formats. Great news!

Whether you're in the preliminary stages or making a final decision, here's what you must consider.

Questions to answer

Choosing the right OCR solution can help A/P streamline data entry and invoice processing. Be sure to answer these questions during the process:

- How accurate is the character recognition engine?
 - Will you need to process invoices that arrive in PDF, EDI, XML, TIFF, DOC and/or XLSX formats?
 - Do you need the OCR software to handle complicated document layouts and data fields from single and multiple page documents in
- a way that you won't have to manually modify the data later?
 - Do you need the software to support multiple languages?
 - If you're considering a web-based solution that offers free conversions for uploaded images, how trustworthy is the data security? (Get IT's opinion here.)
 - Is it appropriate for your company's operating system? (Again, IT will know.)
 - Does the OCR program integrate with ERPs like NetSuite, Microsoft Dynamics, SAP Business One, Infor or Sage Intacct?
 - Once the data is captured, can you easily export it to an accessible database?
 - Do you need OCR software that offers the option to select either an entire document or specific parts for scanning?

Info: bit.ly/ocr550

Need a signature on a Word doc? How to e-sign it

■ PDFs aren't the only documents that can be electronically signed

Electronically signing documents has become a contactless way to get business done during the pandemic. But what if it's a Microsoft Word document that you have to sign and send back?

You could print, manually sign, scan and email the document, but there's a quicker way to insert a signature in Word.

Step by step

1. Scan your signature and save it as an image.
2. Select Insert, Pictures, then Insert Picture from This Device
3. Go to where the scanned image is saved, click on the file and

select the Insert box.

4. Go to the Picture Format tab, select Crop and adjust the image as desired. Click Crop again to exit.
5. Right-click the image and select Save as Picture.

If you accidentally add the wrong signature, open the document that contains the signature and right-click the signature line. Select Remove Signature, then Yes.

On signed Word documents, a Signatures button will appear at the bottom of the document and the file will become read-only to prevent further modifications.

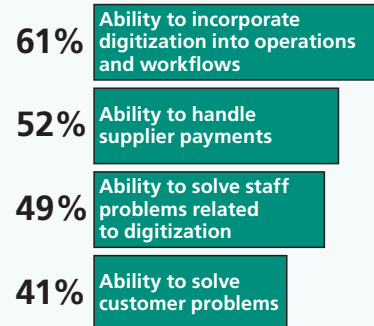
Info: bit.ly/sign550

How do you stack up?

Silver lining of the pandemic

What business areas became easier for your firm during COVID-19?

Note: Percentages are rounded up



Source: PYMNTS, Pymnts.com

While the pandemic brought unprecedented challenges to A/P, it also created opportunities to optimize key financial processes. Shifting to digitization helped many finance pros weather the storm.

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

■ New trend: VR meetings with cartoon co-workers

Facebook recently announced a platform it says will help reduce isolation for teleworking employees – and it's a little more animated than you might expect.

"Horizon Workrooms" will allow people in different locations to work together in a virtual meeting space as cartoon avatars using a virtual reality (VR) headset.

With features such as head and hand tracking, Facebook says the avatars in Horizon Workrooms will be able to express body language cues.

This new tech may create some new concerns for A/P pros, such as whether VR headsets will be the next reimbursable business expense – or how to get used to talking to the cartoon version of the CFO.

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.

MANUFACTURING

Two states recently made key decisions for taxing manufacturers.

MISSOURI – A company that made custom light and sound displays for concerts and events didn't qualify for the manufacturing tax exemption, according to the department of revenue.

Reason: The company used premade products when creating the displays. Because it didn't alter any of the original components, it didn't create anything with a value, use and identity different than the original items. Plus, the displays were custom made for each customer. So the company wasn't a manufacturer under the law.

Info: bit.ly/mo-550

TEXAS – Despite the comptroller's claim that a taxpayer wasn't eligible to receive a tax refund under the state's manufacturing exemption, an appeals court decided otherwise in *Hegar v. El Paso Electric Co.*

In reality, the court said, the taxpayer had a legitimate claim to seek a refund for sales tax paid on meters it used to monitor the performance of customers' step-down transformers.

Here's why: Meters of this type are specifically listed as being exempt from tax by state law.

Info: bit.ly/tx-550

NEXUS

Three recent state decisions impact taxability based on location.

ALABAMA – An overseas IT company with no physical presence in Alabama that provides services in the state isn't subject to sales tax.

The company occasionally provided certain in-person services to its client, a production plant, such as training

handouts and visits from a rep.

However, as long as those services didn't specifically involve the in-person transfer of computer software and were listed separately on any invoices, they could remain nontaxable.

Info: bit.ly/al-550

NEW JERSEY – As of Oct. 1, 2021, the state has ended its temporary suspension of sales tax nexus for remote workers during COVID-19.

This means that any employees teleworking in New Jersey now create a physical presence in the state for their employers, making companies subject to state tax law.

Info: bit.ly/nj-550

WASHINGTON – Determination 18-0255 from the state department of revenue discusses how a seller established nexus in the state through the transfer of inventory with a marketplace facilitator.

The seller participated in a process where, if a product wasn't available in one of its nearby fulfillment centers, it could have the product shipped to a customer from one of its competitors.

The frequency of this exchange meant the seller essentially had its inventory in state fulfillment centers, which was enough to create a physical presence for sales tax nexus.

Info: bit.ly/wa-550

SERVICES

The devil's in the details when it comes to the taxability of services businesses provide to their customers.

ARKANSAS – Because two different charges were combined on one invoice, a normally nontaxable service became taxable.

Typically, inspection services in the Natural State aren't taxable. But one taxpayer purchased a combined inspection and repair service, and repair services are taxable.

Since the invoice the taxpayer received didn't separately list each

charge, the entire amount was taxable.

Info: bit.ly/ar-550

CALIFORNIA – Ultrasound photos sold to patients after they received elective 3-D and 4-D diagnostic imaging services were subject to sales tax.

The imaging provider argued it should be exempt from tax since the primary service it offered was ultrasound imaging and the photo sales were secondary. However, the state office of tax appeals disagreed. The true purpose of the provider's business was the sale of tangible photos, CDs and DVDs, as shown by its marketing materials that focused solely on these products. And as tangible physical property, the sales of these images are subject to tax.

Info: bit.ly/ca2-550

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Pat Snyder
Accounting Supervisor
Yamaha