



MANAGING ACCOUNTS PAYABLE

MEMBER BRIEFING

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Sales and use taxation is an area in which there are likely to be significant changes in the next few years. Companies that have been subjected to sales and use tax audits by increasingly aggressive states have realized that sales and use tax verification or calculation software can reduce liabilities and eliminate potential fines and penalties.

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foreign financial institutions and foreign entities are documented, says Couch.

A PDF draft of the revised Form 1099 is available on the IRS's web site. Box 11 is designated as "foreign tax paid" and box 12 is for "foreign country or U.S. possession."

When applicable, the payee will have to provide the "country," "foreign postal code," and "country code" and use a new box to indicate whether branch reporting was elected.

Couch anticipates that the changes will "probably result in significant compliance challenges and changes to process for the coming year." *Managing Accounts Payable* will keep you abreast of any further changes or challenges in upcoming issues.

Forms W-8, W-9

Other changes prompted by FATCA for 2013 include revisions to forms W-8 and W-9. Companies that use a substitute W-9 will need to make sure their form is "substantially similar" to the revised IRS form, according to Couch, but such companies should consider

switching to the new IRS form. "In the current IRS audit environment, it seems that IRS examiners are raising more and more questions about substitute forms," she explains.

Other Issues

Another area for AP to watch in 2013 is compliance with expense reimbursement and allowances, because the IRS is "focusing significantly" on this area, Couch notes. To avoid wage or non-employee compensation reporting of expense reimbursements, expense-reimbursement plans must comply with "accountable plan" tax rules. Otherwise, "the IRS will disqualify the plan, and those payments become taxable immediately."

To avoid reporting, Couch points out, the following criteria must be met:

- The expenses must be business expenses.
- Documentation of the expenses must be provided (e.g., receipts, copies of receipts, mileage logs)—or per diem rates must be used.
- If an advance is made, "any excess amount needs to be returned to the employer." □

SALES & USE TAX COMPLIANCE

Changes Enacted and Anticipated in Sales & Use Filing and Payments (Quick Code 021319)

IOFM has been tracking the many state and federal proposals for increasing and expanding sales and use tax payments, especially for out-of-state retailers. This year may be a year of watching and waiting, as many of the proposals come up for vote.

"We're seeing quite a lot of activity related to states changing how companies file and submit tax returns, including many states moving toward electronic filing," says IOFM editorial advisor, Diane Yetter, president and founder of YETTER.

Here are some requirements to be aware of:

- Once you are registered to collect or remit sales and/or use taxes in a jurisdiction, your returns must be completed and filed within the state's timeframe (the timeframe could be monthly, quarterly, or annually). "Very large sellers in Illinois or Missouri may have to make pre-payments as frequently as weekly," says Yetter. "And in Florida, sellers must pay a percentage of owed tax in the current month, and get a credit on that when they file in the subsequent month."

Related Tools and Resources

The following related content can be found online at ap.iofm.com by typing the Quick Code into the search box.

Sales & Use Tax: States Go Easy on Individual Consumers, But Are Tough on Businesses (Quick Code 021329)

Sales & Use Tax: Definitions May Vary By Jurisdiction (Quick Code 021330)

Related Premium Resources

See Training Resource Library at ap.iofm.com to order.

Complete Guide to AP Best Practices

- Filing frequencies can change based on taxpayer's level of sales activities in a jurisdiction. States review that annually, so watch for a mailed statement of change.
- Each legal entity is required to file its own sales and use tax return for each state where it is registered, unlike under income tax provisions, where a

corporate group files a consolidated tax return. Some states may require separate sales and use tax returns by location, even if the different locations are part of the same entity. So if you are a retailer with multiple stores, you might have to file separate forms.

- Some jurisdictions require payment via electronic funds transfer (EFT) if an organization's liability exceeds a certain threshold. In some states, the threshold test is based on all taxes, rather than just sales tax. In other states, if you are required to pay via EFT for one tax, you are required to pay via EFT for all taxes.
- EFT thresholds are decreasing to levels such that many more taxpayers will be required to pay via EFT. "The EFT requirement used to be for the biggest taxpayers, but it's now down to fifty thousand per year in some places," says Yetter.

Here is a partial list of states that have had, or expect, filing and payment changes:

- Ohio's tax commissioner issued a draft sales and use tax rule that would implement EFT for consumer's use tax (*Draft Rule 5703-9-61, 11/6/12*). It is not yet approved at press time, but IOFM will keep an eye on this.
- Iowa announced its new "eFile and Pay" options for consumer's use tax (*Sept 2012*).
- Virginia made several changes. Monthly retail sales and use tax filers of Forms ST-9 and ST-9CO (regardless of size) are required to submit returns and payment electronically (this started with the July 2012 return, which was due August 20, 2012). Quarterly filers are required to file/pay electronically beginning July/Sept. 2013, due Oct. 20, 2013. Returns must be filed using either eForms, Business iFile or Web Upload (*Notice VA Dept of Taxation & Finance, 6/14/12*).
- Arizona made a threshold reduction from \$1 million to \$100k annually for 2010-2012 for estimated tax payments on "transaction privilege tax" (Arizona's term for sales tax).
- New York now requires annual, quarterly, and monthly sales tax filers who meet three criteria to web-file their sales tax returns and pay electronically (*TB-ST-275 NY Dept of Taxation & Finance, 7/27/12*):
 1. A tax preparer is not used;
 2. A computer is used to prepare, calculate, or document returns; and
 3. Broadband Internet is available.

"Most New York companies, except very small ones, would meet these conditions," says Yetter, "even if the companies just calculate in an Excel spreadsheet. This very broad mandate is going to be applicable to almost all companies in New York."

Be Sure to Track Changes

There are many pending and proposed changes to tax law, especially for sales/use tax collection by remote sellers. Yetter advises all sellers to watch the states where they have sales. Check with the state CPA Association or Chambers of Commerce and follow articles and webinars presented by IOFM. Also track federal proposals (three federal bills are currently under consideration). More details can be found on Yetter's website at <http://salestaxinstitute.com/resources/news>.

"The discussion of changes to who is required to collect tax is more about *when* than *if*," says Yetter. "I would expect remote sellers will have a requirement to collect tax soon—potentially even in 2013. The biggest debate now is the small-seller exception—which mostly centers between \$500,000 and \$1 million in sales." □

ATTENTION AP PROFESSIONALS:

Share Your Best Practices and Tools With Your *Managing Accounts Payable* and Memberclicks Peers

Do you have forms, policies, or tips that you would be willing to share with other AP professionals? For example, have you recently developed processes, procedures, references, forms, or checklists for such items as:

- Workflow challenges?
- Tax compliance and reporting (1099s, sales and use tax, escheatment, etc.?)
- Automation implementations?
- P-card use?
- Fraud prevention?

IOFM invites you to participate in the Memberclicks community in a new and exciting way—by sharing your AP practices and tools with other AP professionals.

If you send 10 tools and/or resources, IOFM will either mail you the comprehensive *Complete Guide to AP Best Practices*, a \$395 report—or award you three CEUs (it's your choice).

We are also interested in developing case studies with IOFM members. Our editors will help you write your story and get it ready for publication. In return for sharing your expertise, the choice will again be yours—receive the *Complete Guide to AP Best Practices*, a \$395 report or opt for three CEUs.

We'd love to hear from you! Please e-mail RD Whitney, Chief Executive Officer of the Institute of Finance and Management (IOFM), at rd.whitney@iofm.com, or call 203-930-2705. We'll put you in touch with an IOFM editor who will explain the submission process.