

PURCHASES BY GOVERNMENT EMPLOYEES

Notice #09-01

Sales and Use Tax

February 2009



Highlights

- *Purchases made with credit cards directly billed and paid by federal government qualify for sales and use tax exemption.*
- *Tenn. Code Ann. § 67-6-308*
- *Purchases by government employees that are later reimbursed by the federal government are taxable.*
- *Purchases made with GSA SmartPay® 2 centrally billed credit cards are direct sales to and paid by the federal government.*
- *GSA SmartPay® 2 credit cards have new designs and prefix numbers identifying direct sales to the federal government.*

INTRODUCTION

This notice is intended to provide taxpayers and the general public with updated information concerning the United States General Services Administration (GSA) SmartPay® charge card program and the sales and use taxability of purchases made with the charge cards by government employees.

Federal government purchases made by government employees with charge cards that are centrally billed accounts are considered direct sales to the United States government. Centrally billed accounts are accounts directly billed and paid for directly by the federal government or its agencies. Sellers are required to obtain exemption certificates to document tax exempt sales to the federal government or its agencies.

DISCUSSION

Tennessee statutes provide for federal government sales and use tax exemption when the charge for tangible goods and taxable services is billed directly to and paid for directly by the federal government or its agencies.

"...No sales or use tax shall be payable on account of any direct sale or lease of tangible personal property or services to the United States, or any agency thereof created by congress, for consumption or use directly by it through its own government employees."

Purchases made by federal government employees who pay the bill and are later reimbursed by the federal government are taxable and do not qualify for sales and use tax government exemption.

Federal Credit Card Program

Effective November 30, 2008 the GSA SmartPay® 2 charge card program replaced the previous program that has been in place since November 1998. The SmartPay® 2 charge cards may be centrally billed accounts (CBAs) or individually billed accounts (IBAs). CBAs are directly billed to and paid by the federal government and its agencies. IBAs are billed to and paid directly by the cardholder/federal employee and the government employee is later reimbursed by the federal government. Purchases made by government employees with SmartPay® 2 charge cards that are centrally billed are considered sales directly to and paid for directly by the federal government or its agencies.

The SmartPay® 2 charge cards are issued by a variety of banks under contract with GSA. There are four types of cards: purchase cards, fleet cards, travel cards and integrated cards that combine two or more of the card types. The SmartPay® 2 charge cards have newly designed artwork and two additional prefix numbers, 4614 and 5565, that have been added to the list of approved prefix numbers designed to assist sellers in identifying each type of card. Information to assist in identifying SmartPay® 2 cards that are directly billed to and paid by the federal government is included in the table below. Additional information is available at www.gsa.gov/gsmartpay.

For more tax information, call toll free 1-800-342-1003
Nashville area and out-of-state call (615) 253-0600
Email TN.Revenue@state.tn.us

- Revised table listing GSA SmartPay®2 credit cards centrally billed and directly paid by the federal government.

Types of Credit Cards Centrally Billed and Directly Paid by United States Government	First 4 Digits of Credit Card No.	Required Special 6 th Digit of Credit Card No.
Fleet Card – Card imprinted with "FOR OFFICIAL GOVERNMENT FLEET USE ONLY"		
MasterCard	5565 5568	None
Visa	4486 4614 4716	None
Voyager	8699	None
Wright Express	5565	None
Purchase Card – Card imprinted with "FOR OFFICIAL US GOVERNMENT PURCHASES ONLY"		
MasterCard	5565 5568	None
Visa	4486 4614 4716	None
Travel Card – Card imprinted with "FOR OFFICIAL GOVERNMENT TRAVEL ONLY"		
MasterCard	5565 5568	0, 6, 7, 8, or 9
Visa	4486 4614	0, 6, 7, 8, or 9
Integrated Card – Card imprinted with "FOR OFFICIAL GOVERNMENT USE ONLY"		
MasterCard	5565 5568	0, 6, 7, 8, or 9
Visa	4486 4614	0, 6, 7, 8, or 9
Special Note – MasterCard and Visa Travel and Integrated Cards where the 6 th digit of the credit card account number is 1, 2, 3, or 4 are individually billed to the cardholder/government employee. Purchases made by government employees with cards billed to individuals are subject to sales and use tax.		

- Exemption certificates are required to document tax exempt sales to the federal government.

Exemption Certificates

While the GSA SmartPay® 2 cards that are listed in the table above are centrally billed accounts and considered direct sales to and purchases by the federal government or its agencies, retailers are required to also obtain exemption certificates to document the tax exempt sales directly to the federal government or its agencies. Tennessee Rule and Regulation 1320-5-1-.58(1) provides that retailers are required to obtain exemption certificates from government purchasers and keep such documents in their records to document exempt sales to the United States government or its agencies. The government certificate of exemption form is available at <http://www.state.tn.us/revenue/forms/sales/f1301301.pdf>.

- Streamlined Sales and Use Tax Certificate of Exemption

In lieu of Tennessee’s government certificate of exemption, government purchasers may instead present retailers with a fully completed Streamlined Sales and Use Tax Certificate of Exemption form that is available at <http://www.state.tn.us/revenue/streamlined/exemptioncertificate.pdf>.

 **References:**
T.C.A. § 67-6-308
Rule 1320-5-1-.58(1)

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.