STATE OF CONNECTICUT

DEPARTMENT OF REVENUE SERVICES

TWENTY-FIVE SIGOURNEY STREET HARTFORD, CONNECTICUT 06106

March 30, 2000

Rosemarie Dunn
Contract Specialist
Services Acquisition Center
1941 Jefferson Davis Highway, Room 507
Arlington, VA 22202

Dear Ms. Dunn:

This is in response to your letter dated February 24, 1999, in which you requested guidance on Connecticut's application of sales and use taxes to purchases using the new GSA SmartPay credit cards.

All purchases that are billed to and paid by the U.S. Government are exempt from Connecticut sales and use taxes. The Department has recently released **Policy Statement 2000(1.1),** *Retailer's Acceptance of U.S. Government "GSA SmartPay" Credit Card for Purchases Exempt Under Conn. Gen. Stat. §12-412(1)*. See attached. This Policy Statement details the Department's current position on the acceptance and use of GSA SmartPay credit cards. Copies of **PS 2000(1.1)** are also available on the Department's web site at: **http://www.drs.state.ct.us**

We trust this information is helpful to you. However, if you have any questions please contact Attorney Shawn M. Sims of our legal staff at (860) 297-5649.

Sincerely,

John M. Dunham
Director
Legal Division

Enclosures (1)

PS 2000(1.1)

Retailer's Acceptance of U.S. Government "GSA SmartPay" Credit Card for Purchases Exempt under Conn. Gen. Stat. §12-412(1)

PURPOSE: The purpose of this Policy Statement is to describe the circumstances under which the Department of Revenue Services (DRS) allows purchases with the new United States Government "GSA SmartPay" credit cards.

EFFECTIVE DATE: Applicable to all purchases with GSA SmartPay credit cards on or after the issuance of this Policy Statement.

STATUTORY AUTHORITY: Conn. Gen. Stat. §12-412(1).

BACKGROUND: DRS previously issued **Policy Statement 95 (2),** *Retailer's Acceptance of U.S. Government "I.M.P.A.C." Credit Card for Purchases Exempt Under Conn. Gen. Stat. §2-412(1)* , which indicated that the I.M.P.A.C. credit card could be accepted by retailers for most exempt purchases, including the payment of travel, meals, and lodging expenses, without the use of DRS' *Governmental Agency Exemption Certificate.*

On November 30, 1998, the U.S. General Services Administration (GSA) replaced the I.M.P.A.C., American Express, and Wright Express credit cards with the "GSA SmartPay" Credit Card Program. As a result of this change to the federal credit card system, DRS has determined the circumstances under which it allows purchases with the new U.S. Government "GSA SmartPay" credit cards.

CREDIT CARDS ISSUED UNDER THE "GSA SMARTPAY" PROGRAM: The GSA SmartPay program uses four categories of cards: Fleet, Purchase, Travel, and Integrated Cards. The cards are embossed with the GSA SmartPay logo (pictured below) as well as "United States of America."

The GSA SmartPay program uses several providers such as US Bank, Citibank, NationsBank, Mellon Bank, and First National Bank of Chicago to issue Visa, Voyager, and MasterCard credit cards.

EXEMPT PURCHASES: Sales of tangible personal property or services, including sales of meals and lodging made directly to the U.S. Government, are exempt from Connecticut sales and use taxes.

Sales to federal employees (rather than to the U.S. Government itself) are subject to sales and use taxes, even if the U.S. Government reimburses the employees for all or a portion of their purchases.

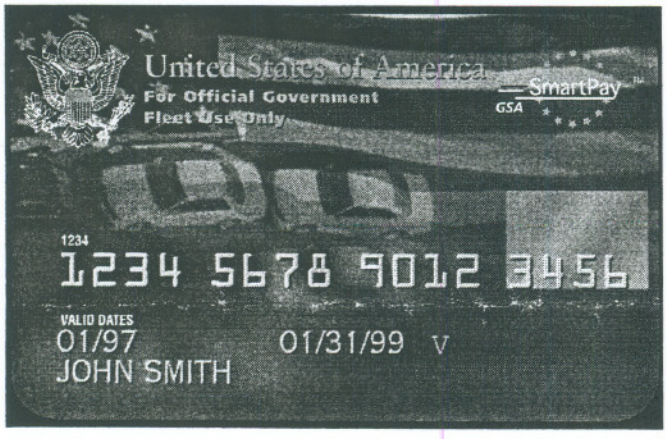
With respect to the GSA SmartPay Credit Card Program, **Fleet Card** and **Purchase Card** sales are exempt from Connecticut sales and use taxes because they are billed directly to the U.S. Government. Purchases using the **Travel Card** and **Integrated Card** may or may not be exempt because some sales using these cards are billed to and paid by federal employees rather than by the U.S. Government and therefore are subject to sales and use taxes.

DRS does **not** require federal employees to provide retailers with the *Governmental Agency Exemption Certificate* when using the GSA SmartPay Cards for tax-exempt purchases. Where such purchases are not tax-exempt, retailers **must** charge tax and the *Governmental Agency Exemption Certificate* may not be used.

Important: U.S. Government agencies making tax-exempt purchases of meals and lodging using GSA SmartPay Cards **are not required** to obtain pre-approval for such purchases from DRS. In addition, U.S. Government agencies making tax-exempt purchases under these circumstances are not required to provide retailers with a **CERT-112**, *Certificate for Qualifying Exempt Purchases of Meals or Lodging by an Exempt Organization or Qualifying Governmental Agency* .

FLEET CARDS AND PURCHASE CARDS: Purchases with **Fleet Cards** and **Purchase Cards** (pictured below) are tax exempt because they are billed directly to and paid by the U.S. Government.

Fleet Cards are used to purchase fuel and repair services or other items related to motor vehicles, boats, and airplanes. Type of card - Voyager or MasterCard. Imprinted with "For Official Government Fleet Use Only."



Purchase Cards are used to purchase tangible personal property. Type of card - Visa or MasterCard. Imprinted with "For Official Government Purchases Only."

Retailers may accept **Fleet Cards** and **Purchase Cards** with proper identification (see section entitled "Verifying Authorized Card Users") from the user, as evidence that the purchase is made by the United States, and is exempt from sales and use taxes under Conn. Gen. Stat. §12-412(1).

TRAVEL CARDS AND INTEGRATED CARDS: Purchases made with **Travel Cards** and **Integrated Cards** are not necessarily tax-exempt because some sales using these cards are billed to and paid by federal employees rather than by the U.S. Government.

Travel Cards are used to purchase airfare, meals, and lodging. Type of card - Visa or MasterCard. Imprinted with "For Official Government Travel Only." **Not all purchases using the Travel Cards are exempt from Connecticut sales and use taxes.** See section entitled "The Taxability of Purchases Made Using Travel Cards and Integrated Cards."

Integrated Cards are used for purchasing goods and services associated with the Fleet, Purchase, and Travel cards. Type of card - Visa or MasterCard. Imprinted with "For Official Government Use Only." **Not all purchases using the Integrated Cards are exempt from Connecticut sales and use taxes.** See section entitled "The Taxability of Purchases Made Using Travel Cards and Integrated Cards."

THE TAXABILITY OF PURCHASES MADE USING TRAVEL CARDS AND INTEGRATED CARDS: The GSA has embossed a series of numbers on the **Travel Cards** and **Integrated Cards** so that retailers can determine whether travel and travel-related purchases using these cards are subject to Connecticut sales and use taxes:

Travel and Travel Related Charges Paid for by Using the U.S. Government Travel or Integrated Cards:

VISA Prefix	Sixth Digit	Billed to	Exempt
4486 and 4716	0, 6,7,8,9	U.S.	Yes
4486 and 4716	1,2,3,4	Employee	No
MasterCard Prefix	**Sixth Digit**	**Billed to**	**Exempt**
5568	0, 6,7,8,9	U.S.	Yes
5568	1,2,3,4	Employee	No

The sixth digit of the account number identifies whether or not the **Travel** or **Integrated Cards** may be used to make exempt purchases.

Example 1: Sample Account Number

4486 0600 0000 0000

The **4486** number of this sample account number indicates that the card is a Visa credit card. The **sixth digit** is "6," which, according to the chart, indicates that purchases made using this card are paid directly by the U.S. Government and therefore are tax exempt.

Example 2: Sample Account Number

5568 0100 0000 0000

Here, the **5568** number indicates that the card is a MasterCard credit card. The **sixth digit** is "1,"

which according to the chart, indicates that purchases using this card are paid by the employee and therefore are taxable.

VERIFYING AUTHORIZED CARD USERS: To verify that an authorized person is using GSA SmartPay cards, a retailer must require identification establishing the person's identity and status as a U.S. Government employee, such as an employee photo identification card. The retailer must note the employee's identification number and agency on the merchant copy of the sales receipt the retailer retains for its records.

If a retailer has reason to believe that a card is being used to make any purchase not directly billed to and paid by the U.S. Government, or that for any other reason does not qualify for exemption under Conn. Gen. Stat. §12-412(1), the retailer must charge sales and use taxes on the purchase. The credit card holder can then request a refund from DRS for the taxes by submitting evidence that the purchase was paid directly by the U.S. Government. The purchaser should follow the procedures in **Policy Statement 98(5)**, *Sales and Use Tax Refund Policy.*

Retailers failing to follow the verification guidelines set forth by DRS for authorized GSA SmartPay card users may be held liable for sales and use taxes on purchases in question.

EFFECT ON OTHER DOCUMENTS: This document supersedes **Policy Statement 95(2)**, *Retailer's Acceptance of U.S. Government "I.M.P.A.C." Credit Card for Purchases Exempt under Conn. Gen. Stat. §12-412(1).*

EFFECT OF THIS DOCUMENT: A Policy Statement is a document that explains in depth a current Department position, policy or practice affecting the tax liability of taxpayers.

FOR FURTHER INFORMATION: Please call the Department of Revenue Services during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free within Connecticut), or
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

FORMS AND PUBLICATIONS: Forms and publications are available all day, seven days a week:

- **Internet:** preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
- **DRS TAX-FAX:** call **860-297-5698** from the handset attached to your fax machine and select from the menu
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone

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Governmental Exemption
Issued 03/21/00