



April 10, 2020

## GSA SMARTPAY SMART BULLETIN

### U.S. GENERAL SERVICES ADMINISTRATION FEDERAL ACQUISITION SERVICE SMART BULLETIN NO.020

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#### **GSA SmartPay® Program – What You Need to Know About State Sales Taxes**

**EFFECTIVE DATE:** From issuance until superseded.

**BUSINESS LINE(S) AFFECTED:**  
Purchase, Travel, Fleet, and Integrated

#### **INTRODUCTION:**

In accordance with established legal precedence, States do not have the authority to assess State sales tax to the Federal Government or instrumentalities of the Federal Government under the Supremacy Clause of the Constitution of the United States. However, there are instances where State sales tax can be assessed on Federal Government transactions, based on liability of payment. The Center for Charge Card Management maintains the GSA SmartTax educational campaign to provide information to customer and vendor communities about State sales tax exemption. For more information, please visit the SmartTax page on the GSA SmartPay website [here](#).

#### **SUMMARY:**

It is important for Federal Government employees, hotels, rental car companies, and vendors to understand State sales tax exemption requirements for each State and to know when it is appropriate to assess State sales tax on Federal Government transactions. This will help the Federal Government preserve operating budgets for performing mission-critical activities. For vendors this will help ensure accuracy of records, promote effective processes, and improve customer service to millions of Federal Government charge card users.

#### Recognizing GSA SmartPay Charge Cards

Federal Government charge cards can be most consistently identified by Federal Government bank identification number (BIN). The following four digit BIN prefixes are reserved for Federal Government use exclusively:

- 4486
- 4614
- 4615

- 5563
- 5565
- 5568
- 6900
- 7071
- 7088

What are the Different Types of Federal Government Charge Cards?

*Centrally Billed Accounts (CBA)*

The Federal Government is billed directly for the purchase of goods and services using a GSA SmartPay charge card and therefore is responsible and liable for making payment. In accordance with legal precedent, as the Federal Government is directly liable for payment, CBAs are exempt from direct State sales tax in all 50 States and U.S. territories. CBAs include the following:

- GSA SmartPay Purchase Card
- GSA SmartPay Travel CBA Card
- GSA SmartPay Travel Tax Advantage Card
- GSA SmartPay Fleet Card
- GSA SmartPay Integrated Card

Please note that for the GSA SmartPay Travel Cards and GSA SmartPay Tax Advantage Card **only**, the following 6<sup>th</sup> digit on the BIN will determine if the account is a CBA:

- 0
- 5
- 6
- 7
- 8
- 9

The 6<sup>th</sup> digit identifier **does not** apply to GSA SmartPay Purchase, Fleet, and Integrated business lines.

*Individually Billed Accounts (IBA)*

Cardholders, and not the Federal Government, are directly billed for the purchase of goods and services using a GSA SmartPay charge card. The GSA SmartPay IBA Travel Card is the only GSA SmartPay solution that is individually billed. States are not required to honor State sales tax exemption for IBAs, however many States choose to offer State sales tax exemption as a courtesy to the Federal Government. Please note that for agencies using split disbursement for IBAs, the cardholder is still responsible for the payment, and as such transactions may still be subject to State sales tax. For GSA SmartPay Travel Cards only, the following 6<sup>th</sup> digit on the BIN will determine if the account is an IBA:

- 1
- 2
- 3
- 4

## Gross Receipts Sales Tax

There are a few States that do not directly assess State sales tax to consumers at the point of sale, but instead assess a gross receipts tax directly on vendors. The vendor can choose to pass along this tax to consumers. If a vendor chooses to pass along a gross receipts tax on a CBA transaction, it is not considered a State sales tax and therefore, it is allowable. Please note that a vendor in these States is not required to pass along the amount of the gross receipts tax to the cardholder. For more information about specific States, please visit the interactive State sales tax map.

### **ACTION:**

#### *Cardholder Best Practices*

- Consult the GSA SmartPay website and interactive State sales tax map prior to official government travel or before making a purchase to determine State sales tax exemption status, and if a form is required for tax exemption
- Contact the vendor to verify State sale tax exemption status, as applicable. Should the vendor not honor State sales tax exemption in States that do honor State sales tax exemption, please identify an alternate vendor that will honor exemption
- In accordance with the *Travel Transportation and Reform Act of 1998*, please use an official government travel card when on official government travel. For applicable States, States are not required to honor State sales tax exemption when a non-Federal Government charge/credit card is used as a form of payment
- When required by State law, policy or regulation, please present Federal Government identification, purchase orders, or travel orders to vendors
- When in doubt, please follow your agency's State tax policy
- Maintain a copy of all travel card receipts that are over \$75 for 6 years and 3 months, or in accordance with agency policy
- Monitor accounts regularly for improperly applied State sales tax

### **Resources:**

Please visit the GSA SmartPay website for the following:

- Interactive State sales tax map
- SmartTax Vendor Guide
- Common questions

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If you have any questions or comments regarding this Smart Bulletin, please contact CCCM at 703-605-2808 or via email at: [gsa\\_smartpay@gsa.gov](mailto:gsa_smartpay@gsa.gov).