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POLICY STATEMENT

Retailer's Acceptance of US Government "GSA SmartPay 3" Charge Cards for Exempt Purchases

Purpose: This Policy Statement describes the circumstances under which the Department of Revenue Services (DRS) allows purchases with US government GSA SmartPay 3 charge cards to be exempt from sales and use taxes, room occupancy tax, the tourism account surcharge, and motor vehicle fuels tax.

Effective Date: Applicable to all purchases made with GSA SmartPay 3 charge cards on or after the issuance of this Policy Statement.

Statutory Authority: Conn. Gen. Stat. § 12-412(1); Conn. Gen. Stat. § 12-458; Conn. Gen. Stat. § 12-665 et seq.

Background: Effective November 30, 2018, the US General Services Administration (GSA) implemented the GSA SmartPay 3 Charge Card Program. The GSA has discontinued its predecessor, the SmartPay 2 Charge Card Program. This publication describes the circumstances under which purchases may be made tax exempt using the new GSA SmartPay 3 charge cards.

Sales Exempted from Sales and Use Tax and Room Occupancy Tax: Sales or rentals of tangible personal property and sales of services, including sales of meals and lodging that are billed directly to the US government through centrally billed accounts, are exempt from Connecticut sales and use taxes. Sales to federal employees (rather than to the US government itself) made through individually billed accounts are subject to sales and use taxes, even if the US government reimburses the employees for all or a portion of their purchases.

Purchases made with the GSA SmartPay 3 **Fleet Card, Purchase Card** and **Integrated Card** are exempt from Connecticut tax because they are made through centrally billed accounts.

Purchases made with the **Travel Card** and **Tax Advantage Travel Card** may or may not be exempt. Purchases made using individually billed accounts are subject to Connecticut tax, but purchases made using centrally billed accounts are exempt from Connecticut tax.

DRS does **not** require federal employees to provide retailers with **CERT-134, Exempt Purchases by Qualifying Governmental Agencies**, when using centrally billed GSA SmartPay 3 Cards. If an individually billed card is used to make a purchase, the retailer **must** charge tax and CERT-134 may **not** be used.

US government agencies making exempt purchases of meals and lodging using centrally billed GSA SmartPay 3 Cards **are not required** to obtain preapproval for the purchases from DRS. In addition, US government agencies making exempt purchases under these circumstances are not required to provide retailers with **CERT-112, Certificate for Qualifying Exempt Purchases of Meals or Lodging by an Exempt Organization or Qualifying Governmental Agency**.

Verifying Authorized Card Users: To verify that an authorized person is using a GSA SmartPay 3 Card, a retailer must require identification establishing the person's identity and status as a US government employee, such as an employee photo identification card. The retailer must note the federal 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 US government, or for any other reason that a purchase does not qualify for exemption under Conn. Gen. Stat. § 12-412(1), the retailer must charge tax on it. The purchaser can request a refund of the taxes from DRS by submitting evidence that the purchase was paid directly by the US government.

The purchaser must follow the procedures in **Policy Statement 98(5), Sales and Use Tax Refund Policy.**

Retailers failing to obtain verification for authorized GSA SmartPay 3 Card users may be held liable for sales and use taxes on such purchases.

Charge Cards Issued Under the GSA SmartPay 3 Program: The GSA SmartPay 3 program uses five categories of cards: Fleet, Purchase, Travel, Tax Advantage Travel, and Integrated. The cards are embossed with the GSA SmartPay 3 logo (pictured below) and are imprinted with “For Official Government Use Only.”



The GSA SmartPay 3 program uses two providers, Citibank and U.S. Bank, to issue Visa, Voyager, MasterCard, and Wright Express charge cards.

Fleet Cards, Purchase Cards and Integrated Cards: Purchases made with Fleet Cards, Purchase Cards, and Integrated Cards are tax exempt because they are made through centrally billed accounts.

Fleet Card: Fleet Cards are used for purchases of government vehicle fuel, maintenance and repair of government owned/operated motor vehicles, aircraft, boats, and motorized equipment.



Purchase Card: Purchase Cards are used for purchases of supplies and services to support U.S. government missions.



Integrated Cards: Integrated Cards are used to make purchases under two or more of the business lines (Fleet, Purchase or Travel).



Travel Cards and Tax Advantage Travel Cards: Purchases made with Travel Cards and Tax Advantage Travel Cards are not necessarily tax exempt because some purchases using these cards are made through individually billed accounts, which are subject to Connecticut tax. Purchases using these cards made on centrally billed accounts are exempt from tax.

Travel Card: Travel Cards are used to purchase official government travel and travel-related expenses. The sixth digit of the Travel Card account number identifies whether or not the card is centrally billed and may be used to make exempt purchases.

VISA Prefix	Sixth Digit	Billed to	Tax-Exempt
4486, 4614, 4615	6,7,8,9, 0	US government centrally billed account	Yes
	1,2,3,4	Individually billed account	No

MasterCard Prefix	Sixth Digit	Billed to	Tax-Exempt
5565 and 5568	6,7,8,9,0	US government centrally billed account	Yes
	1,2,3,4	Individually billed account	No



Tax Advantage Travel Card: Tax Advantage Travel Cards are issued in the name of an individual. Purchases made under Merchant Category Codes (MCC) for lodging and/or rental of motor vehicles are centrally billed to the US government for direct payment and are exempt from tax. All other purchases with a Tax Advantage Travel Card are individually billed and are **not** exempt from tax.



Tourism Account Surcharge: The tourism account surcharge is imposed on the rental of passenger motor vehicles for a period of 30 calendar days or less. This surcharge is described in **Policy Statement 2019(2), The Tourism Account Surcharge**. A rental of a passenger motor vehicle billed directly to the US government is exempt from the surcharge. A rental of a passenger motor vehicle billed to a federal employee (rather than to the US government itself) is subject to the surcharge, even if the US government reimburses the employee for all or a portion of the rental.

GSA SmartPay 3 Fleet Cards, Purchase Cards, Integrated Cards or Tax Advantage Travel Cards: Rentals of a passenger motor vehicle paid for with a Fleet Card, Purchase Card, Integrated Card or Tax Advantage Travel Card are exempt from the tourism account surcharge because the rental charges are billed directly to the US government.

GSA SmartPay 3 Travel Cards: Rentals of passenger motor vehicles made with a Travel Card may or may not be exempt because some rentals are billed to individually billed accounts rather than billed to centrally billed accounts. Rentals made on the centrally billed accounts are not subject to the tourism account surcharge. Rentals made on the individually billed accounts are subject to the tourism account surcharge.

The sixth digit of the Travel Card account number identifies whether or not the Travel Card is a centrally billed account or an individually billed account. Refer to the tables above to identify whether rentals using a Travel Card are exempt.

Verification Guidelines: To verify that an authorized individual is using a GSA SmartPay 3 Card, a rental company must require identification establishing the individual's identity and status as a US government employee such as an employee photo identification card. The rental company must note the federal agency on the merchant copy of the rental receipt the rental company retains for its records.

If a rental company has reason to believe that a GSA SmartPay 3 Card is being used to make any rental not directly billed to and paid by the US government or for any other reason does not qualify for exemption, the rental company must charge the tourism account surcharge on the rental. The charge card holder may request a refund from DRS for the taxes by submitting evidence that the rental was billed directly to and paid by the US government.

Rental companies failing to follow the verification guidelines for authorized GSA SmartPay 3 Card users may be held liable for the tourism account surcharge on the rentals in question.

Motor Vehicle Fuels Tax: The Connecticut motor vehicle fuels tax is included in the price paid for motor vehicle fuel at the pump, because the licensed motor vehicle fuels distributor is the person that actually pays the tax to DRS. The practice of the US government has been to seek reimbursement of the tax from the motor vehicle fuels distributor licensed by DRS rather than to obtain the refund from DRS. When a licensed motor vehicle fuels distributor files a claim for refund of the tax with DRS and the claim is in relation to tax paid at the pump on purchases made with GSA SmartPay 3 cards, the claim will be allowed or disallowed depending upon whether the charge is to a centrally billed account or an individually billed account. Thus, claims for refund for purchases made with the following cards will be allowed:

- GSA SmartPay 3 **Fleet Cards**;
- GSA SmartPay 3 **Purchase Cards**;
- GSA SmartPay 3 **Travel Cards** that are centrally billed (as indicated by the sixth digit of the account; refer to the tables above to identify whether purchases using a Travel Card are exempt.);
- GSA SmartPay 3 **Integrated Cards**; and
- GSA SmartPay 3 **Tax Advantage Travel Cards**.

Claims for refund for purchases made with the following cards will be disallowed:

- GSA SmartPay 3 **Travel Cards** that are individually billed (as indicated by the sixth digit of the account).

Effect on Other Documents: Policy Statement 2009(2), *Retailer's Acceptance of U.S. Government "GSA SmartPay 2" Charge Cards for Exempt Purchases*, is superseded.

PS 2019(1)
Sales and use taxes
Room occupancy tax
Tourism account surcharge
Motor vehicle fuels tax
Governmental exemption
Issued: 03/07/2019

Effect of This Document: A Policy Statement explains in depth a current Department of Revenue Services (DRS) position, policy, or practice affecting the tax liability of taxpayers.

For Further Information: Call DRS during business hours, Monday through Friday:

- **800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at portal.ct.gov/DRS to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential): Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at portal.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the *Make Payment Only* option. Choose a payment date up to the due date of the tax and mail a paper return to complete the filing process.
