



Retailer's Acceptance of U.S. Government "GSA SmartPay 2" Charge Cards for Exempt Purchases

Purpose: This Policy Statement describes the circumstances under which the Department of Revenue Services (DRS) allows tax-exempt purchases with U.S. government GSA SmartPay 2 charge cards. It discusses sales and use taxes, room occupancy tax, the motor vehicle rental surcharge, the tourism account surcharge, and the motor vehicle fuels tax.

Effective Date: Applicable to all purchases with GSA SmartPay 2 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.; Conn. Gen. Stat. § 12-692.

Background: DRS previously issued **Policy Statement 2000(1.1), Retailer's Acceptance of U.S. Government "GSA SmartPay" Charge Cards for Exempt Purchases**, which explained that the original GSA SmartPay charge cards could be accepted by retailers for tax-exempt purchases including the payment of travel, meals, and lodging expenses under certain circumstances without the use of **CERT-134, Exempt Purchases by Qualifying Governmental Agencies**.

On or before November 30, 2008, the U.S. General Services Administration (GSA) implemented the GSA SmartPay 2 Charge Card Program. The original SmartPay Charge Card Program has been discontinued. As a result of this change to the federal charge card system, this publication describes the circumstances under which tax-exempt purchases may be made with the new U.S. government GSA SmartPay 2 charge cards without additional documentation.

Sales Exempted From Sales and Use Tax and Room Occupancy Tax: Sales or rentals of tangible personal property or sales of 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 employee for all or a portion of their purchases.

For the GSA SmartPay 2 Charge Card Program, **Fleet Card** and **Purchase Card** sales are exempt from Connecticut tax 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 are subject to Connecticut tax.

DRS does **not** require federal employees to provide retailers with CERT-134 when using the GSA SmartPay 2 Cards for tax-exempt purchases. Where the purchases are not tax-exempt, retailers **must** charge tax and CERT-134 may not be used.

U.S. government agencies making tax-exempt purchases of meals and lodging using the GSA SmartPay 2 Cards **are not required** to obtain preapproval for the purchases from DRS. In addition, U.S. government agencies making tax-exempt purchases under these circumstances are not required to provide retailers with **CERT-112, Exempt Purchases of Meals or Lodging by Exempt Entities**.

Verifying Authorized Card Users: To verify that an authorized person is using a GSA SmartPay 2 charge card, 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 federal

agency on the merchant copy of the sales receipt the retailer retains for its records.

If a retailer has reason to believe 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 charge card holder can request a refund of the taxes from DRS by submitting evidence that the purchase was paid directly by the U.S. government. The purchaser must follow the procedures in **Policy Statement 98(5), Sales and Use Tax Refund Policy.**

Retailers failing to follow DRS verification guidelines for authorized GSA SmartPay 2 card users may be held liable for sales and use taxes on the purchases in question.

Charge Cards Issued Under the GSA SmartPay 2 Program: The GSA SmartPay 2 program uses four categories of cards: Fleet, Purchase, Travel, and Integrated. The cards are embossed with the GSA SmartPay 2 logo (pictured below).



The GSA SmartPay 2 program uses three providers: Citibank, JPMorgan Chase, and U.S. Bank to issue Visa, Voyager, MasterCard, and Wright Express charge cards.

Fleet Cards and Purchase Cards Under the GSA SmartPay 2 Program: Purchases with Fleet Cards and Purchase Cards are tax-exempt because they are billed directly to and paid by the U.S. government.

Fleet Card: Fleet cards (pictured below) are used for purchases of government vehicle fuel and maintenance requirements. These cards are imprinted with “For Official Government Fleet Use Only.”



Purchase Card: Purchase cards (pictured below) are used for purchases of supplies and services to support U.S. government missions. These cards are imprinted with “For Official Government Purchases Only.”



Travel Cards and Integrated Cards Under the GSA SmartPay 2 Program: Purchases made with Travel Cards and Integrated Cards (pictured on page 3) are not necessarily tax-exempt because some sales using these cards are billed to and paid by federal employees (individually-billed accounts) rather than by the U.S. government (centrally-billed accounts). The centrally-billed accounts are not subject to Connecticut sales and use taxes. The individually-billed accounts are subject to Connecticut sales and use taxes.

Travel Card: Travel cards are used to purchase official government travel and travel-related expenses. These cards are imprinted with “For Official Government Travel Only.”



Integrated Cards: Integrated cards are for purchases under two or more of the business lines (Fleet, Purchase, or Travel). These cards are imprinted with “For Official Government Use Only.”



Determining Taxability of Purchases Made Using GSA SmartPay 2 Travel or Integrated Cards: The sixth digit of the GSA SmartPay 2 Travel or Integrated Card account number identifies whether or not the GSA SmartPay 2 Travel or Integrated Card may be used to make exempt purchases.

VISA Prefix	Sixth Digit	Billed to	Tax-Exempt
4486 and 4614	0,6,7,8,9	U.S. government centrally billed account	Yes
4486 and 4614	1,2,3,4	Individually billed account	No
MasterCard Prefix	Sixth Digit	Billed to	Tax-Exempt
5565 and 5568	0,6,7,8,9	U.S. government centrally billed account	Yes
5565 and 5568	1,2,3,4	Individually billed account	No

Where purchases made using GSA SmartPay 2 Travel or Integrated Cards are tax-exempt, DRS does **not** require federal employees to provide retailers with CERT-134 when making those purchases. Where purchases made using GSA SmartPay 2 Travel or Integrated Cards are **not** tax-exempt, retailers **must** charge tax and CERT-134 may not be used.

Tourism Taxes: The tourism account surcharge and the motor vehicle rental surcharge are two different surcharges imposed on the rental of passenger motor vehicles for a period of 30 calendar days or less. These surcharges are described in **Policy Statement 2002(5), The Motor Vehicle Rental Surcharge and the Tourism Account Surcharge**. A rental of a passenger motor vehicle made directly to the U.S. government is exempt from these surcharges. A rental of a passenger motor vehicle to a federal employee (rather than to the U.S. government itself) is subject to these surcharges even if the U.S. government reimburses the employee for all or a portion of the rental.

GSA SmartPay 2 Fleet Cards or Purchase Cards: Assuming a GSA SmartPay 2 Fleet Card or Purchase Card may, in accordance with GSA guidelines, be used to rent a passenger motor vehicle, rentals of passenger motor vehicles made using a Fleet Card or a Purchase Card are exempt from the tourism account surcharge and the motor vehicle rental surcharge because the rentals are made and billed directly to the U.S. government.

GSA SmartPay 2 Travel or Integrated Cards: Rentals of passenger motor vehicles made using a GSA SmartPay 2 Travel or Integrated Card may or may not be exempt because some rentals using these cards are billed to and paid by federal employees (individually-billed accounts) rather than billed to and paid by the U.S. government (centrally-billed accounts). The centrally-billed accounts are not subject to the tourism account surcharge and the motor vehicle rental surcharge. The individually-billed accounts are subject to the tourism account surcharge and the motor vehicle rental surcharge. The sixth digit of the Travel or Integrated Card account number identifies whether or not the Travel or Integrated Card is a centrally-billed account or an individually-billed account. Refer to the table included in this publication to identify whether purchases using a GSA SmartPay 2 Travel or Integrated Card are exempt.

Verification Guidelines: To verify that an authorized individual is using a GSA SmartPay 2 Card, a rental company must require identification establishing the individual's identity and status as a U.S. government employee such as an employee photo identification card. The rental company must note the federal agency on the merchant copy of the receipt the rental company retains for its records.

If a rental company has reason to believe a GSA SmartPay 2 Card is being used to make any rental not directly billed to and paid by the U.S. government or for any other reason does not qualify for exemption, the rental company must charge the tourism account surcharge and the motor vehicle rental 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 U.S. government.

Rental companies failing to follow DRS verification guidelines for authorized GSA SmartPay 2 card users may be held liable for the tourism account surcharge and the motor vehicle rental 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. (The motor vehicle fuels distributor licensed by DRS is the person that actually pays the Connecticut motor vehicle fuels tax to DRS.) The practice of the U.S. government has been to obtain a refund 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 Connecticut motor vehicle fuels tax with DRS and the claim is in relation to tax paid at the pump on purchases made with GSA SmartPay 2 cards, the claim will be allowed or disallowed in accordance with the explanation above. Thus, claims for refund in relation to purchases made with the following cards will be allowed:

- GSA SmartPay 2 **Fleet Cards** or GSA SmartPay 2 **Purchase Cards**;
- GSA SmartPay 2 **Travel Cards** that are centrally billed (as indicated by the sixth digit of the account); **and**
- GSA SmartPay 2 **Integrated Cards** that are centrally billed (as indicated by the sixth digit of the account).

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

- GSA SmartPay 2 **Travel Cards** that are individually billed (as indicated by the sixth digit of the account); **and**
- GSA SmartPay 2 **Integrated Cards** that are individually billed (as indicated by the sixth digit of the account).

Effect on Other Documents: Policy Statement 2000(1.1), *Retailer's Acceptance of U.S. Government "GSA SmartPay" Charge Cards for Exempt Purchases*, is superseded.

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:

- **1-800-382-9463** (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 www.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 www.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. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

DRS E-Alerts Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at www.ct.gov/DRS and select *e-alerts* from the left navigation bar.

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Sales and use taxes
Room occupancy tax
Tourism account surcharge
Motor vehicle rental tax
Motor vehicle fuels tax
Governmental exemption
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