



April 7, 2000

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Re: Pennsylvania Sales and Use Tax  
GSA SmartPay Program

Dear Ms. Dunn:

This letter is in reply to your request for advice on the application of Pennsylvania tax to purchases made with the United States Government Credit Cards under a new program known as "GSA SmartPay." The GSA SmartPay is the Federal Government's charge card for procuring products and services needed in the performance of government business. Our advice is provided in two parts, separately addressing Pennsylvania Hotel Occupancy Tax and Pennsylvania Sales and Use Tax.

**PENNSYLVANIA STATE AND LOCAL HOTEL OCCUPANCY TAX**

The Pennsylvania Department of Revenue will continue to recognize as exempt from state and local hotel occupancy tax under 61 Pa. Code §38.2(c)(1) purchases of lodging by Federal employees using any of the various GSA SmartPay cards described below. The exemption applies whether the purchases are directly billed to a Federal Government account or to the account of an individual employee on official government business. The Federal Government's exemption from hotel occupancy tax does not require direct billing to the Federal Government. *Egner v. Commonwealth*, 557 A.2d 1157, 125 Pa. Cmwlth. 434(1989). The Department will consider the presentation of a GSA SmartPay Card sufficient documentary evidence to identify the purchaser as a Federal employee on government business.

**PENNSYLVANIA STATE AND LOCAL SALES AND USE TAX**

The Pennsylvania Department of Revenue will recognize as exempt from sales and use tax only those purchases by Federal employees that are directly billed to and paid from a Federal government account. 72 P.S. §7204(12). Purchases made by Federal employees and billed to their individual credit card accounts, although the government may subsequently reimburse these employees, are taxable.

**Exempt Purchases - Cards Billed Directly to Government**

Purchases by a Federal employee using the **Purchase Cards** and the **Fleet Cards** are exempt from Pennsylvania sales tax. An employee is not required to submit an exemption certificate to the vendor. The characteristics of these cards are:

(1) Purchase Cards - Purchases are exempt

- VISA or MasterCard with the words "United States of America - SmartPay - for Official Government Purchases Only - U.S. Government Tax Exempt."
- Used only to purchase tangible personal property.
- VISA account numbers begin with either 4486 or 4716; MasterCard account numbers begin with 5568.

(2) Fleet Cards - Purchases are exempt

- Voyager or MasterCard with the words - "United States of America - SmartPay for Official Government Fleet Use Only."
- Used only to purchase fuel, repair services and other items related to vehicles, aircraft, boats and equipment.
- Voyager account numbers begin with 8699; MasterCard account numbers begin with 5568.

**Taxable and Nontaxable Purchases - Cards Billed to Individual Federal Employee or the Federal Government**

When accepting the Travel Cards and Integrated Cards, a Pennsylvania vendor must verify by referring to the sixth digit

of the account number that the card is billed directly to the Federal Government in order for the transaction to be exempt from sales tax. When a purchase is individually billed, the vendor must collect sales tax on the purchase. The characteristics of these cards are:

(3) Travel Cards - Purchases May be Taxable

- VISA or MasterCard with the words - "United States of America - SmartPay for Official Government Travel Only."
- Used only to purchase lodging, meals, airfare, car rentals, etc.
- **EXEMPT TRANSACTIONS** - Purchases with the SmartPay Travel Cards having a 0, 6, 7, 8 or 9 as the sixth digit of the card account number are directly billed to and paid for by the Federal Government.
- **TAXABLE TRANSACTIONS** - Purchases with the SmartPay Travel Cards having a 1, 2, 3 or 4 as the sixth digit of the card account number are billed to and are paid by individual employees.

(4) Integrated Cards - Purchases May be Taxable

- VISA or MasterCard with the words - "United States of America - SmartPay for Official Government Use Only."
- Used for any combination of purchase, travel or fleet services.
- **EXEMPT TRANSACTIONS** - Purchases with the SmartPay Integrated Card having a 0, 6, 7, 8 or 9 as the sixth digit of the card account number are directly billed to and paid for by the Federal Government.
- **TAXABLE TRANSACTIONS** - Purchases with the SmartPay Integrated Cards used for travel purposes having a 1, 2, 3 or 4 as the sixth digit of the card account number are billed to and paid for by individual employees.

Record Keeping Requirement for Vendors

In order to document an exemption from Pennsylvania hotel occupancy tax or sales tax when a Federal employee uses a SmartPay Card, the vendor must retain the merchant copy of the SmartPay credit card transaction record showing the credit card

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number. Pennsylvania does not require Federal purchasers to use the Pennsylvania Sales and Use Tax Exemption Certificate, Form REV-1220.

If you have additional questions regarding exemption from Pennsylvania Hotel Occupancy Tax or State and Local Sales Tax, please contact me by telephone or at my electronic mail address listed above.

Sincerely yours,

  
Marianne I. Rempe  
Assistant Counsel

cc: Melissa Fry  
Tobyhanna Army Depot

MIR:sp (mh)