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State of South Carolina  
Department of Revenue  
301 Gervais Street, P. O. Box 125, Columbia, South Carolina 29214

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SC REVENUE ADVISORY BULLETIN #02-3

**SUBJECT:** Federal Employee Credit Cards  
(Sales and Use Tax)

**EFFECTIVE DATE:** Applies to all periods open under the statute.

**SUPERSEDES:** SC Revenue Ruling #99-8  
SC Revenue Ruling #96-7  
SC Information Letter #94-6  
SC Information Letter #91-11  
SC Information Letter #88-11

**REFERENCES:** S. C. Code Ann. Section 12-36-2120(2) (Supp. 2001)  
S. C. Code Ann. Section 12-36-2130  
SC Revenue Ruling #88-8

**AUTHORITY:** S. C. Code Ann. Section 12-4-320 (Supp. 2000)  
S. C. Code Ann. Section 1-23-10(4) (Supp. 2000)  
SC Revenue Procedure #99-4

**SCOPE:** The purpose of a Revenue Advisory Bulletin is to provide guidance to the public and to Department personnel. It is a written statement issued to apply principles of tax law to a specific set of facts or a general category of taxpayers. **A Revenue Advisory Bulletin does not have the force or effect of law, and is not binding on the public.** It is, however, the Department's position and is binding on agency personnel until superseded or modified by a change in statute, regulation, court decision, or advisory opinion.

## **INTRODUCTION:**

Code Section 12-36-2120(2) exempts from the sales and use tax “tangible personal property sold to the federal government.”

In the Department’s opinion, in a retail transaction where the federal government is billed directly or a federal employee uses a credit card whereby the federal government is billed or the employee pays with a federal government check, the sale is exempt from tax. Such sale is between the retailer and the federal government. On the other hand, in a retail sale transaction where an employee pays and is subsequently reimbursed by the federal government, the sale is not exempt. The sale is between the retailer and the employee, as opposed to being between the retailer and the federal government. See SC Revenue Ruling #88-8.

## **FEDERAL GOVERNMENT CREDIT CARDS (“SMARTPAY CARDS”):**

The General Services Administration (“GSA”), through a program named GSA SmartPay, has entered into contract with various credit card-issuing banks. These cards are called SmartPay Cards.

There are two categories of SmartPay Cards:

1. Cards that are the sole responsibility of the federal government and that are billed directly to the federal government (centrally billed); and
2. Cards that are the sole responsibility of the employee and that are billed to the employee. (The federal government is not responsible if the cardholder fails to pay.)

Within these two categories, there are four basic types of federal credit cards:

Purchase

Fleet

Travel

Integrated

The Department's opinion as to how the sales and use taxes apply, is as follows:

**Purchase and Fleet Cards** are centrally billed. Purchases are billed directly to the federal government and are therefore exempt from the sales and use taxes. Purchase and Fleet cards can only be used for purchases from specific types of merchants, such as gas stations and office supply stores.

**Purchase** cards are blue with a red stripe across the top and contain the imprinted phrase: "For Official US Government Purchases Only." These cards also contain the phrase: "US Government Tax Exempt." See attached copy or go to <http://apps.fss.gsa.gov/services/gsa-smartpay/images/purchase.tif>.

**Fleet** cards are blue with a faint graphic of the U.S. flag across the top, with some cars faintly represented in the middle of the card. These cards contain the imprinted phrase: "For Official Government Fleet Use Only." See attached copy or go to <http://apps.fss.gsa.gov/services/gsa-smartpay/images/Fleet.tif>.

**Travel and Integrated Cards** can fall in either billing category. Therefore, additional information is necessary to determine the taxability of the transaction. Both of these cards can be used at hotels, restaurants, and similar travel-related venues.

**Travel** cards are beige and feature a design of the U.S. Capitol and a large jet. They contain the imprinted phrase: "For Official Government Travel Only." See attached copy or go to <http://apps.fss.gsa.gov/services/gsa-smartpay/images/Travel.tif>.

**Billed to the Employee:** Travel cards that are billed to the employee, and therefore purchases with these cards are subject to the tax, will contain the following number sequences:

Start with 4486 and the sixth digit is 1, 2, 3 or 4;

Start with 4716 and the sixth digit is 1, 2, 3 or 4; or

Start with 5568 and the sixth digit is 1, 2, 3 or 4.

**Billed to the Federal Government:** Travel cards that do not contain the above number sequences are billed directly to the federal government and therefore purchases with such cards are exempt from the tax.

**Integrated cards** feature a blue sky with clouds, the U.S. Capitol and a U.S. flag. There is a very small picture of a jet in flight in the middle of the card. It contains the phrase: "For Official Government Use Only." This card is in use only at the Department of the Interior. It may also be referred to as a combined card. See the attached copy or go to <http://apps.fss.gsa.gov/services/gsa-smartpay/images/Combine.tif>.

An integrated or combined card is a single card that is used for both taxable and exempt purchases since the bill will go either to the federal government or to the employee, depending on the item purchased. The merchant's code tells the bank which account to bill.

These account numbers begin with "5568-16" and the agency's identification number (14-0001849) is on the face of the card.

**Billed to the Employee:** Purchases of lodging and restaurant food are billed to the employee and therefore subject to the tax.

**Billed to the Federal Government:** Purchases of office supplies and related tangible goods are billed directly to the federal government and are therefore exempt from the tax.

**Exception:** There is one exception to the above rules concerning the integrated or combined card. The Bureau of Reclamation cards are billed directly to the federal government with respect to all purchases. If an employee has identification ("I.D.") from the Bureau of Reclamation and is using a card numbered 5568-16, then purchases with that card are exempt from the tax.

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/Elizabeth Carpentier \_\_\_\_\_  
Elizabeth Carpentier, Director

April 15, 2002  
Columbia, South Carolina