



STATE OF TENNESSEE  
DEPARTMENT OF REVENUE  
ANDREW JACKSON STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37242

July 22, 1999

Ms. Rosemarie Dunn  
GSA/FSS/FCXC  
Attn: GSA Smart Pay Program  
1941 Jefferson Davis Hwy., Rm. 507  
Arlington, Virginia 22202

Dear Ms. Dunn:

Thank you for faxing a copy of the inquiry that seeks confirmation of sales tax exemption for governmental credit cards.

T.C.A. Section 67-6-308 provides: "notwithstanding Section 67-6-501(a), no sales or use tax shall be payable on account of any direct sales or lease of tangible personal property or services to the United States, or any agency thereof created by congress, for consumption of use directly by it through its own government employees."

Both the historical and current interpretation of this provision is that the word "direct" means that the billing for the goods or services must be made to the instrumentality of the government and paid for directly by it. The general exception is that purchases made and paid for by governmental employees on prepaid or reimbursable expense accounts are not tax exempt. In communication with numerous instrumentalities of federal, state of Tennessee, and counties and cities within Tennessee, the general problem is the employees on prepaid or reimbursable expense accounts are on a fixed per diem amount and tend to take a higher cost room. Then the tax is appropriately added, but becomes the personal liability of the employee. Consistently, the governmental entities have indicated there is no problem with the tax being included as long as the goods and services and the tax amount does not exceed the maximum per diem allowance.

I might point out that this is consistent for the federal, state or Tennessee and counties and cities within Tennessee. Governments of other states are not tax exempt here.

**Rosemarie Dunn**

**July 22, 1999**

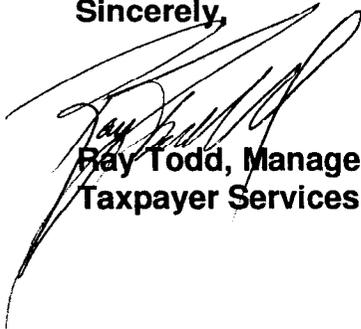
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**Based upon the information given in your letter, it appears that the credit cards will meet the criteria of exemption. The hotel motel industry, having faced problems in identity between qualified credit cards and cards of employees may ask for documentation in the form of a governmental certificate of exemption (copy enclosed). But they may also ask that an officer of the governmental entity provide a letter basically describing the card and confirming the charges thereon are the direct responsibility of the government. There is no prohibition against the business exercising due caution to ensure the eligibility of the entity claiming exemption and documentation to support such claim.**

**This response does not constitute a revenue tax ruling or a binding letter ruling of the Department of Revenue pursuant to Tennessee Code Annotated, Section 67-1-109.**

**If I may be of further assistance, you can reach me at (615) 741-2594.**

**Sincerely,**



**Ray Todd, Manager  
Taxpayer Services Division**



**GOVERNMENT CERTIFICATE OF EXEMPTION**

To: \_\_\_\_\_

\_\_\_\_\_  
*Vendor*

The undersigned hereby certifies that the purchases of tangible personal property or services being made on this certificate of exemption are being made by the State of Tennessee, or a county or municipality within the State of Tennessee, or the Federal Government, or an agency thereof and are for the use of such government or agency.

The undersigned further certifies that the said government or agency is making the purchase direct from the above named vendor, will obtain title or has title to the property immediately when it is delivered, and will use public funds to pay directly to the above named vendor for the tangible personal property or services obtained upon this certificate of exemption.

Name of government or agency \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Title: \_\_\_\_\_