COMMONWEALTH of VIRGINIA

Department of Taxation
September 27, 1999

Ms. Rebecca A. Koses
Contracting Officer
Services Acquisition Center
U.S. General Services Administration
1941 Jefferson Davis Highway
Arlington, Virginia 22202-4502

Dear Ms. Koss:

This will reply to your letter regarding the application of retail sales and use tax to purchases made with United States Government credit cards under a new program known as "GSA SmartPay." I apologize for the delay in the department's response.

The United States Government has replaced the use of I.M.P.A.C. purchase cards, American Express travel cards, and Wright Express fleet cards with one consolidated program known as GSA SmartPay. GSA SmartPay will be effective for five years with the possibility of yearly renewal for an additional five years. The Federal Government has awarded contracts to several banks to handle the new program. GSA SmartPay credit cards are issued under the Visa, Mastercard, and Voyager trade names.

All credit cards issued under the GSA SmartPay program will have unique account numbers, artwork specific to the United States Government, and wording that denotes the card is for use by the United States Government. The United States General Services Administration asks that the department confirm that the tax exempt status for Federal Government credit card purchases will not change due to the use of the new GSA SmartPay program.

The department's current policy exempts credit card charges which are billed directly to and paid by the Federal Government. If an employee of the Federal Government is billed and pays for the charges and is then reimbursed by the Federal Government, the charges are taxable. This policy is addressed in Title 23 of the Virginia Administrative Code 10-210-690.

Based on the information provided, the following credit cards are used in the GSA SmartPay program: 1) Voyager, using prefix 8699; 2) Mastercard, using prefix 5568; and 3) Visa, using prefixes 4486 and 4716. All purchases made with Federal Government *fleet* and *purchase* cards are billed to and paid by the Federal Government and qualify for exemption from Virginia sales and use tax.

Purchases made with some Federal Government *travel* cards and *integrated* cards are billed to individuals and are subject to the tax. Visa and Mastercard charge cards are issued for use as travel and integrated cards. The individually billed cards can be identified by the sixth digit in the card's number. If the sixth digit in the card's number is "1," "2," "3," or "4," the purchase is billed to the individual and is taxable. If the sixth digit in the card's number is "0," "6," "7," "8," or "9," the purchase is billed directly to the Federal government and is exempt.

Taxpayers with questions concerning the application of Virginia sales and use tax to purchases made under the GSA SmartPay program may contact the department's Office of Customer Services by telephone at (804) 367-8037, or by writing to P.O. Box 1115, Richmond, Virginia 23218-1115.

Sincerely,

Danny M. Payne
Tax Commissioner

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