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

SC REVENUE RULING #09-1

SUBJECT: Federal Government Credit Cards
(Sales and Use Tax)

EFFECTIVE DATE: November 30, 2008

SUPERSEDES: SC Revenue Advisory Bulletin #02-3

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 (2000)
S.C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #05-2

SCOPE: The purpose of a Revenue Ruling is to provide guidance to the public and to Department personnel. It is an advisory opinion issued to apply principles of tax law to a set of facts or general category of taxpayers. It is the Department's position until superseded or modified by a change in statute, regulation, court decision, or another Departmental advisory opinion.

Code Section 12-36-2120(2) exempts from South Carolina sales and use tax "tangible personal property sold to the federal government." Accordingly, in a transaction with the U.S. Government or federal employee conducting official business the applicability of the sales and use tax depends on whether the U.S. Government or the federal employee is making the purchase. The Department has concluded the following with respect to the sales and use tax exemption in Code Section 12-36-2120(2):

1. When the sale is between the retailer and the U.S. Government. If the U.S. Government is billed directly or a federal employee uses a credit card whereby the U.S. Government is billed or the employee pays with a federal government check, the sale is exempt from South Carolina sales and use tax. The Department does not require that a tax exempt form be provided to the retailer to receive the tax exemption.
2. When the sale is between the retailer and the federal employee. If the federal employee is billed directly and reimbursed by the U.S. Government, the sale is subject to South Carolina sales and use tax. See SC Revenue Ruling #88-8.

The purpose of this advisory opinion is to specifically address the sales and use tax applicability to purchases made with the GSA SmartPay® credit cards described below.

The General Services Administration (“GSA”), through the GSA SmartPay® program, has entered into a contract with Citibank, JPMorgan Chase, and US Bank to provide charge card services to Federal government agencies and organizations for conducting official business. For most agencies/organizations, the program will be effective November 30, 2008 through November 29, 2018.

All GSA SmartPay® 2 charge cards can be identified by their unique prefixes and account numbers, government designed artwork, and wording that indicates that the card is for official purchases for the U.S. Government. These cards/accounts can be Centrally Billed Accounts, Individually Billed Accounts, or Integrated Accounts (*i.e.*, centrally billed accounts, individually billed accounts, or a combination.) Card designs and account numbering structures can be accessed at www.gsa.gov/gsmartpay and are also provided in Exhibit B for reference.

The GSA SmartPay® program consists of three business lines that are billed to either to the U.S. Government (centrally billed accounts) or federal employee (individually billed accounts) and are subject to South Carolina sales and use tax as indicated. The four GSA SmartPay cards provided are:

1. Purchase Charge Card. This card is used for purchasing supplies and services to support U.S. Government missions. It is a centrally billed account.¹ Accordingly, official purchases made with these cards are exempt from South Carolina sales and use taxes.
2. Fleet Charge Card. This card is used for government vehicle fuel and maintenance requirements. It is a centrally billed account. Accordingly, official purchases made with these cards are exempt from South Carolina sales and use taxes.
3. Travel Charge Card. This card is used for official government travel and travel related expenses. It may be a centrally billed account or an individually billed account²; the 6th digit identifies whether the account is centrally or individually billed. If the 6th digit indicates the account is centrally billed, official purchases made with these cards are exempt from South Carolina sales and use taxes. If the 6th digit indicates the account is individually billed, official purchases made with these cards are subject to South Carolina sales and use taxes. (See “Billing Method” in Exhibit A for the 6th digit identifier.)

¹ Centrally Billed Accounts (“CBAs”). CBAs are charge card accounts in which all charges are billed directly to the federal government and paid directly by the federal government to the issuing bank. These cards are the sole responsibility of the U.S. Government.

² Individually Billed Accounts (“IBAs”). IBAs are charge card accounts in which charges are paid directly by the cardholder/federal employee to the issuing bank; the federal employee is then reimbursed by the government. These cards are the sole responsibility of the employee (*i.e.*, the federal government is not responsible if the cardholder fails to pay.)

4. Integrated Charge Card. This card combines two or more of the above business lines (*i.e.*, includes fleet, travel, and/or purchase functionality and offers a single card for all purchases). The numbering structure to differentiate between centrally and individually billed accounts will be specific to each agency or organization using the Integrated card.

Currently, the Department of Interior is the only agency that uses the integrated card. In a letter dated November 19, 2008, the Department of Interior stated that transactions on the integrated cards begin with account number 558626 and are centrally billed and paid directly by the federal government. Since the numbering sequence indicates the account is centrally billed, official purchases made with these cards are exempt from South Carolina sales and use taxes.

Note: If the numbering sequence specific to each agency or organization indicates the integrated card account is individually billed, then such official purchases will be subject to South Carolina sales and use taxes.

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/Ray N. Stevens

Ray N. Stevens, Director

February 23 _____, 2009
Columbia, South Carolina

EXHIBIT A

The following chart summarizes the taxability of sales transactions with the U.S Government or federal employees using the GSA SmartPay® program, the unique prefixes and account numbers on each card, and a brief description of the government designed artwork and wording on the card.

	Purchase Card	Fleet Card	Travel Card	Integrated Card – Used only by the Dept. of Interior as of 11/08
1st four numbers on the card	MasterCard 5565 or 5568	MasterCard 5565 or 5568	MasterCard 5565 or 5568	MasterCard 5565 or 5568
		Visa 4486, 4614, or 4716	6 th digit indicates billing method (see below)	
	Visa 4486, 4614,or 4716	Voyager 8699	Visa 4486 or 4614	
		Wright Express 5565	6 th digit indicates billing method (see below)	
Card Design	Red with computer keyboard and U.S. flag and “U.S. Government Tax Exempt”	Green with a road and U.S. flag	Blue with a jet and U.S. flag	Beige with an eagle and U.S. flag
Billing Method	Centrally billed	Centrally billed	Centrally billed if 6 th digit is 0, 6, 7, 8, or 9. Individually billed if 6 th digit is 1, 2, 3, or 4.	All fleet and purchase type transactions are centrally billed; Travel type transactions are centrally billed if the 6 th digit is 6, 7, 8, or 9, otherwise individually billed.
Tax Exemption Applicability	Exempt from sales and use tax	Exempt from sales and use tax	Depends on billing method above; centrally billed are exempt; individually billed are taxable	Purchase and Fleet transactions are exempt; Travel transactions centrally billed are exempt

EXHIBIT B
Sample of SmartPay 2 Charge Cards

Fleet Card	Purchase Card
<p>Fleet Card</p> <p>GSA SmartPay 2 United States of America <small>Supporting your mission If risks are suspected, call (800) 240-6333</small></p> <p>VEHICLE CARD: Fuel & Maintenance Locations Only</p> <p>1234 5678 9012 3456 <small>1234</small> 12/31/08 JOHN SMITH</p>	<p>Purchase Card</p> <p>GSA SmartPay 2 United States of America <small>Supporting your mission If risks are suspected, call (800) 240-6333</small></p> <p>U.S. Government Tax Exempt</p> <p>1234 5678 9012 3456 <small>1234</small> 12/31/08 JOHN SMITH</p>
Travel Card	Integrated Card – Used by Dept. of Interior Only
<p>Travel Card</p> <p>GSA SmartPay 2 United States of America <small>Supporting your mission If risks are suspected, call (800) 240-6333</small></p> <p>ABC Agency</p> <p>1234 5678 9012 3456 <small>1234</small> 12/31/08 JOHN SMITH</p>	<p>Integrated Card – Used by Dept. of Interior Only</p> <p>GSA SmartPay 2 United States of America <small>Supporting your mission If risks are suspected, call (800) 240-6333</small></p> <p>ABC Agency</p> <p>1234 5678 9012 3456 <small>1234</small> 12/31/08 JOHN SMITH</p>