



SmartPay[®]

Supporting your mission

U.S. General Services Administration

GSA SmartTax— Lessons Learned for State Sales Tax

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GSA SmartPay TRAINING FORUM

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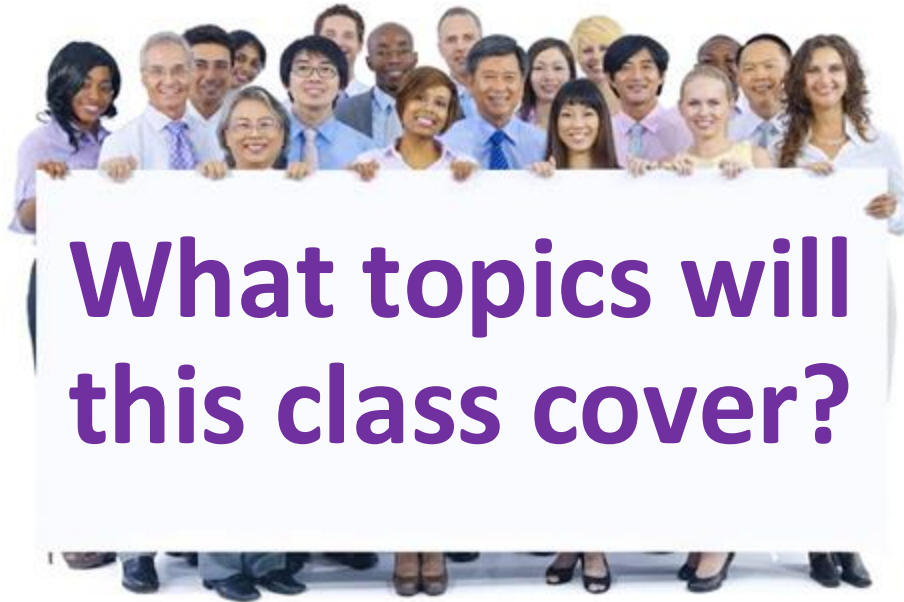
**Who I am and
how you can
reach me**



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**Who will benefit
from this class?**



**What topics will
this class cover?**

Introduction and Agenda

The GSA Center for Charge Card Management (CCCM) administers the GSA SmartPay® Program, which offers Purchase, Travel, Fleet, and Integrated solutions. This presentation discusses State sales tax assessment for GSA SmartPay® charge card transactions. Discussion topics include:

- Legal history of States tax assessment
- When and where do I pay taxes? What forms do I need?
- What is CCCM doing to support customers?

Please note, that the topics discussed are for informational purposes only and should not be considered a formal interpretation of law, tax advice, or recommendations to change existing policy



Quiz!

Quiz!

Am I still exempt from State sales tax if I choose to use a personal credit card instead of a GSA SmartPay payment product for hotel stay?

No!

Quiz!

I am in a state that should not honor States sales tax exemption for IBA travel cards, but the hotel has given me an exemption form to complete. Should I fill it out and get the tax exemption?

No.

Quiz!

What happens if a hotel or merchant refuses to honor States sales tax exemption and won't contact the State for clarification?

Find another hotel or merchant, if possible.

Legal History of State Tax Assessment

Types of GSA SmartPay® Accounts

Under the GSA SmartPay Program, there are two primary types of billing accounts:

Centrally Billed Accounts

- Issued to agency, bureau, division, or fleet level
- Credit limit determined by mission and spend policies
- Federal Government liable and billed directly

Individually Billed Accounts

- Authorized Federal Government employees
- The account holder is liable and billed directly

What Does the Constitution Say?

Article VI, paragraph two of the United States Constitution, most commonly known as the Supremacy Clause, reads:

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the Supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.

The Constitution and the Courts

High court rulings applied the Supremacy Clause to make determinations and cases include, but are not limited to, the following:

- McCulloch v. Maryland, 17 U.S. 316 (1819)
- U.S. v. New Mexico, 455 U.S. 720 (1982)
- Alabama v. King & Boozer, 314 U.S. 1 (1941)

Summary of Court Rulings

States have the sovereign right to assess taxes on individuals. However, States do not have the authority to assess taxes on Federal Government transactions, when the Government is directly liable for payment.

- Federal Government or agent/instrumentality of the Government
- “Agent “or “instrumentality” is any Federal employee conducting official business on behalf of the Government
- High-court rulings are based on payment liability; if the Government is directly responsible for payment, then States cannot assess taxes

Determining Payment Liability

How does the high court ruling impact GSA SmartPay?

- All CBA transactions are exempt from State taxes
 - Purchase
 - CBA Travel
 - GSA Travel Tax Advantage
 - Fleet
 - Integrated
- IBA transactions may be subject to State taxes
 - IBA Travel
 - Taxes apply for IBA split disbursements



**When and where do I pay taxes?
What forms do I need?**

How Most States Collect Sales Taxes

States rely on merchants to collect sales tax assessed on purchases at the point of sale. Merchants decide whether to assess taxes:

- States establish tax laws and regulations
- Merchants collect tax on behalf of States
- Laws may change suddenly
- Point of sales personnel may assess taxes, even for CBA cards or in states where IBA cards are exempt

Please Note: *GSA does not have the authority to mandate tax exemption*

Which States Exempt CBA Transactions?

All 50 states and U.S. territories exempt direct State sales taxes for CBAs. Some States require exemption forms. For more information about documentation requirements, please visit:

<https://smartpay.gsa.gov/smarttax/tax-information-by-state/>

Tax Information by State

State tax exemptions provided to GSA SmartPay card/account holders vary by state.

The information displayed is based on the available information from the state taxation authority about sales tax and does not include other taxes assessed by county or local governments. As a card/account holder, you are responsible for working with the merchant to meet the requirements of the state. If the merchant has questions, they should reach out directly to the state.

Select a state/US territory

Select a state

Go

Which States Exempt IBA Transactions?

CCCM maintains a list of States that exempt State sales tax for IBA transactions. For a complete listing of States and requirements, please visit: <https://smartpay.gsa.gov/smarttax/tax-information-by-state/>

- Alaska
- Delaware
- Florida
- Kansas
- Louisiana
- Massachusetts
- New York
- Oregon
- Pennsylvania
- Texas
- Wisconsin
- Puerto Rico
- Virgin Islands

States That “Don’t” Exempt CBAs

There are States that assess taxes directly to merchants and not to cardholders. For example, some States assess a gross receipts tax. Merchants have the ability to pass along this tax on CBAs to the Federal Government, and there is no conflict with the Court’s application of the Supremacy Clause for tax exemption. These States include:

- Arizona
- Hawaii
- New Mexico

For specific information about each State, please visit: <https://smartpay.gsa.gov/smarttax/tax-information-by-state/>

What About Other Taxes & Fees?

Cardholders may see other taxes assessed on bills or invoices for transactions in which State sales tax is exempt. These taxes may be assessed by local Governments or municipalities and are allowable. These taxes may include the following:

- Bed tax
- Tourism tax
- Room tax

Fees may also be assessed on transactions. Please consult with agency policy to determine if your agency allows cardholders to accept fees.



**What is CCCM doing
to support customers?**

Tax Exemption at Point of Sale is Key

GSA Tax Recovery Pilot results:

- Significant administrative effort for little financial recovery
- State laws vary (often must seek recovery from vendors rather than directly from the States)
- Types of exempt taxes and the reclamation process varies by State, municipality, or vendor
- Many States do not accept information from 1099s or contractors
- Tax recovery amounts are minimal
- Ask for the exemption upfront!

Outreach to States

CCCM conducts outreach to State Departments of Revenue. Information requested includes:

- Updated exemption information for each State
- Verification of documentation requirements and updated forms
- Continued and further consideration for tax exemption status for all GSA SmartPay Travel IBA accounts
- Numbering information for GSA SmartPay 3, including BIN and the sixth digit for identification purposes
- Card artwork for all business lines

Online Resources

Please visit the GSA SmartPay SmartTax homepage for resources including the State tax map, common questions, and vendor guides.

Tax Information by State

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Select a state/US territory

Select a state

Select a different state/US territory

Texas

- Individually billed accounts (IBA) are exempt from state sales tax.
 - Centrally billed accounts (CBA) are exempt from state sales tax.
- [Need help recognizing a card or telling if a card is an IBA or CBA?](#)

Forms

Travel Card

- [Form 12-302, Texas Hotel Occupancy Tax Exemption Certification](#)
- [Form 14-305, Motor Vehicle Verification Certificate for Rental Tax](#)

Purchase Card

- [Form 01-339, Texas Sales and Use Tax Resale Certificate / Exemption Certification](#)

Travel Regulations, Policies

Travel Account
What is the GSA SmartPay Travel Account?
The GSA SmartPay Travel Account can be used for official government travel and travel-related expenses, while allowing account holders access to GSA City Fare Program reduced airfares. Agency organizations are able to reduce travel processing costs and even receive an annual spend fee, nearly tripled since the program's inception in 1998. GSA SmartPay Travel Account reversal funds the GSA City Fare National Code online travel program.

Travel and Integrated Accounts
Some states provide tax exemption on individually billed travel accounts (IBAs). To determine whether the travel or integrated account is a CBA, IBA, or Tax Advantage Travel Account, refer to the 8th digit of the account number. Please note, the 8th digit identifier (and alternatives CBA and IBA accounts) is specific to Travel and Integrated accounts only and does not apply to other GSA SmartPay Business Lines.

Travel cards may have three different designs:

| Profile (last four digits) | 8th Digit | Issuing Bank | Billing Type |
|----------------------------|------------|----------------|---|
| 4895, 4612 (Travel) | 1, 2, 3, 4 | Chase/ US Bank | Individually Billed (BA Travel) |
| 4895, 5504 (MasterCard) | 6, 7, 8, 9 | Chase/ US Bank | Centrally Billed (CBA Travel) |
| 4895, 4613, 4716 (Travel) | 0 | Chase/ US Bank | BA (CBA - Tax Advantage Travel Account) |

Note: 8th digit identifier for IBAs apply to the Travel Business line only.

State Sales Tax Exemption FAQs

Along with a newly updated GSA SmartPay State tax map website, CCCM developed a Frequently Asked Questions document which addresses questions such as:

- Why won't a hotel exempt me from all taxes even though I am using a Government charge card? Aren't all Government employees exempt from all taxes?
- I am participating in the Amazon Tax Exemption Program. Why am I still being charged taxes?
- The hotel is asking for a form or information that doesn't seem to be required. Do I need to provide it?
- The merchant refuses to honor State sales tax exemption, and this is the only merchant I can use. What should I do?



Quiz!

The State of Alaska does not have a State sales tax. I was just assessed a tax by the municipality of Anchorage. Do I have to pay this tax?

Yes!

Quiz!

Do I have to pay sales tax in other countries?

Yes.

Quiz!

Do I have to pay Federal tax?

Yes.

Continuous Learning Points (CLPs)

For attendees that have an active DAU/FAI CSOD account and provided their DAU/FAI CSOD account information at the time of forum registration:

- CLPs earned during the Forum will be automatically uploaded to your DAU/FAI transcript and will count towards your certifications (like FAC-COR, FAC-PM, etc.) that are housed within the DAU/FAI system
- After the forum, please do not submit a request to upload your earned CLPs to DAU/FAI CSOD on your own
- Allow 4–6 business weeks for the CLPs to be displayed on your DAU/FAI transcript.
- For questions, please contact pshctraining@gsa.gov

