



## FYI Sales 63

### Government Purchases Exemptions

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#### GENERAL INFORMATION

Colorado statute exempts from state and state-collected sales tax all sales to the United States government and the state of Colorado, its departments and institutions, and its political subdivisions (county and local governments, school districts and special districts) in their governmental capacities only. [§39-26-704.1, C.R.S.] Home-rule jurisdictions may have different rules regarding government tax exemptions and should be contacted individually. A listing of home-rule city sales tax rates may be found in Colorado Sales/Use Tax Rates (DR 1002).

**NOTE:** The term "state and state-collected" sales tax, for the purpose of this FYI, refers to: state sales tax; state-collected local sales tax; state-collected county lodging tax; and state-collected special district sales tax. For further information on state-collected sales taxes, please see FYI Sales 62.

In order for a government entity to take advantage of the tax exemption, the purchase **must** be made with a prescribed government form or purchase order, and paid for **directly** to the seller by warrant or check drawn on governmental funds, or via credit card in the name of the exempt governmental agency. [Reg. 39-26-704.1] When using a credit card, verification that the purchase is for governmental purposes and will be paid for by the governmental agency may be required. A letter on the governmental entity's letterhead is acceptable for this purpose. In cases where the seller invoices on a delayed basis for a purchase, the billing must be made directly to the governmental agency, **not** to the individual making the purchase.

Some governmental entities have a Colorado-issued tax-exemption number, although they are not required to have one (tax-exemption numbers all begin with "98" or "098"). It is not necessary for governmental entities to present a tax-exemption number in order to make a tax-exempt purchase. A purchase by a governmental agent who is making the purchase with personal funds—even if the employee presents a tax-exemption number and plans to be reimbursed—is **not** tax-exempt.

Construction contractors making purchases on behalf of governmental entities have certain exemptions from the above guidelines. For details on contractors' exemptions, please consult the following sources: FYI Sales 6, the special regulation for contractors found in the sales and use tax regulations, and C.R.S. §39-26-708.1.

#### GOVERNMENT CREDIT CARDS

State government and federal government use a variety of credit cards to facilitate government purchases and travel by their employees. Credit card companies prohibit retailers from making copies of the card, so exempt purchases paid by credit card must be documented with the Affidavit of Sales Paid by Government Credit Card (DR 1367). According to US Code Title 18, Part 1, Chapter 33, 701 it is illegal for merchants to photocopy Federal Government IDs. For details please visit <http://uscode.house.gov/download/pls/18C33.txt>.

#### STATE OF COLORADO CREDIT CARDS

It can be difficult for vendors to determine the tax-exempt status of these cards. The government agency can present a letter on government letterhead to the vendor as a way to verify that the purchase is for government purposes and will be paid by the government agency. This would help vendors determine the taxability of the transaction.

Any vendor with questions regarding local government credit cards should contact the county or municipality.

# State of Colorado

## Commercial Card Program

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The **Procurement Card**, intended for official state business only, allows qualifying and authorized purchases of general merchandise and services to be exempt from tax. All state of Colorado procurement cards are Visa®.

The procurement point-of-sale (POS) card displays the words “P U R C H A S I N G and “FOR APPROVED BUSINESS USE ONLY.” State agencies and institutions of higher education also have the option of placing their respective logo on their cards or use the State seal. The procurement card includes the agency’s tax exemption number that begins with “98” or “098” followed by five digits. The bottom of the card displays the name of the authorized cardholder or business unit to whom the card is issued (authorized to purchase on behalf of the state). 1<sup>st</sup> four digits (prefixes) for these cards are: 4275.

### Procurement Card



The POS **One Card**, intended for official state business only, allows qualifying and authorized purchases of general merchandise and services to be exempt from tax. Additionally, this card type allows qualifying and authorized travel purchases to be exempt from tax. All state of Colorado one cards are Visa®.

The one card displays the words “C O M M E R C I A L” and “FOR APPROVED BUSINESS USE ONLY.” State agencies and institutions of higher education also have the option of placing their respective logo on their cards or use the State seal. The one card includes the agency’s tax exemption number that begins with “98” or “098” followed by five digits. The bottom of the card displays the name of the authorized cardholder or business unit to whom the card is issued (authorized to purchase on behalf of the state). 1<sup>st</sup> four digits (prefixes) for these cards are: 4807.

### One Card



There is also a POS **State Travel Card** issued by the State. The State Travel Management Program ([www.colorado.gov/travel](http://www.colorado.gov/travel)) oversees the State Travel Payment Program. There are four types of travel card products used by the State which currently are Citibank VISA®: One Card, Individual Joint/Several Card, Central Travel Card and CTA Ghost Card.

The POS **Individual Joint/Several Travel Card** displays the words “C O R P O R A T E” and “FOR APPROVED BUSINESS USE ONLY.” State agencies and institutions of higher education also have the option of placing their respective logo on their cards or use the State seal. The individual joint/several travel card does **not** qualify for tax-exempt status. Therefore, the card includes the words “**Not State Tax Exempt**” to avoid unnecessary confusion by merchants. The bottom of the card displays the name of the authorized cardholder to whom the card is issued (authorized cardholder of the state). 1<sup>st</sup> four digits (prefixes) for these cards are: 4046.

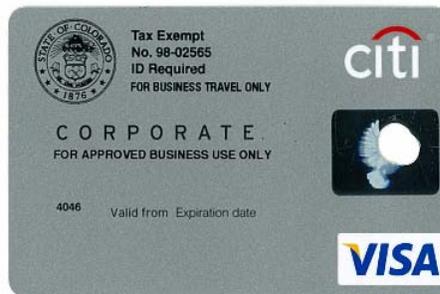
## Individual Joint/Several Travel Card



The POS **Central Travel Card** (aka Event) intended for official state business only, allows qualifying and authorized travel purchases to be exempt from tax. All state of Colorado central travel cards are Visa ®.

The central travel card displays the words “C O R P O R A T E” and “FOR APPROVED BUSINESS USE ONLY.” State agencies and institutions of higher education also have the option of placing their respective logo on their cards or use the State seal. The central travel card includes the agency’s tax exemption number that begins with “98” or “098” followed by five digits. The bottom of the card displays the name of the authorized cardholder or business unit to whom the card is issued (authorized to purchase on behalf of the state). 1<sup>st</sup> four digits (prefixes) for these cards are: 4046.

## Central Travel Card



The **CTA Ghost Card** is a “card less account” which is for airfare purchases only. The CTA Ghost Card is not exempt from airfare taxes.

**Ghost Cards** can be issued for Procurement, One and Central Travel cards as a “card-less account”. These accounts are often used with strategic suppliers or for remote purchases on behalf of a specific agency, department, program and/or unit. These account types allow qualifying and authorized purchases of general merchandise and services to be exempt from tax.

This information serves as a confirmation to merchants that purchases made on the Procurement, One and Central Travel cards should be accepted and considered exempt from state and state-collected sales tax. The billing for tax-exempt government credit card purchases is sent directly to the state agency which then makes the payment directly to the credit card company. 1<sup>st</sup> four digits (prefixes) for these ghost cards are: 4275, 4807 or 4046.

## Local Government Credit Cards

Some local governments issue credit cards in both the government employee’s and agency’s name. In many instances the bill is directly paid by the local government agency in which case purchases are then tax-exempt. Local government Procurement Cards must have the city or county name on it and the words “Purchasing Card” to be considered exempt.

Some local governments also participate in the State Commercial Card Program which can be confirmed at: [www.colorado.gov/travel](http://www.colorado.gov/travel), go to: “Political Subdivisions.” Participating entities will be offered & issued card options as detailed in **State of Colorado Commercial Card Program**. However, participating local governments are not authorized to use the state seal therefore, the card(s) will incorporate their respective logo.

# FEDERAL GOVERNMENT SMARTPAY CHARGE CARDS

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## **Nontaxable Purchases**

Purchases made with SmartPay charge cards that are billed directly to the Government are not taxable. Payment is made directly to the bank by the Government. These cards are considered centrally billed accounts (CBA). The issuing banks for CBAs are Citibank, JP Morgan Chase, and US Banks. These cards can be identified by the first four digits (prefixes) on the card and by the color of the cards. The following SmartPay charge cards are considered CBA:

**Fleet Cards:** Vehicle Cards that are used for Fuel and Maintenance Only. These cards can be identified by the color of the card Green. On the card it states “For Official Government Fleet Use Only” and has a picture of a road on the left side of the card. The platforms (brands) and 1<sup>st</sup> four digit (prefixes) for these cards are Visa (4486, 4614, & 4716), Master Card (5565 & 5568), Voyager (8699), and Wright Express (5565).

**Purchase Card:** Purchase cards are used for supplies and services. These cards are Red in color, and states on the card “U.S. Government Tax Exempt” and “For Official US Government Purchases Only”. There is also a picture of a computer keyboard on the left side of the card. The brands and 1<sup>st</sup> four prefixes for these cards are Visa (4486, 4614, & 4716) and Master Card (5565 & 5568).

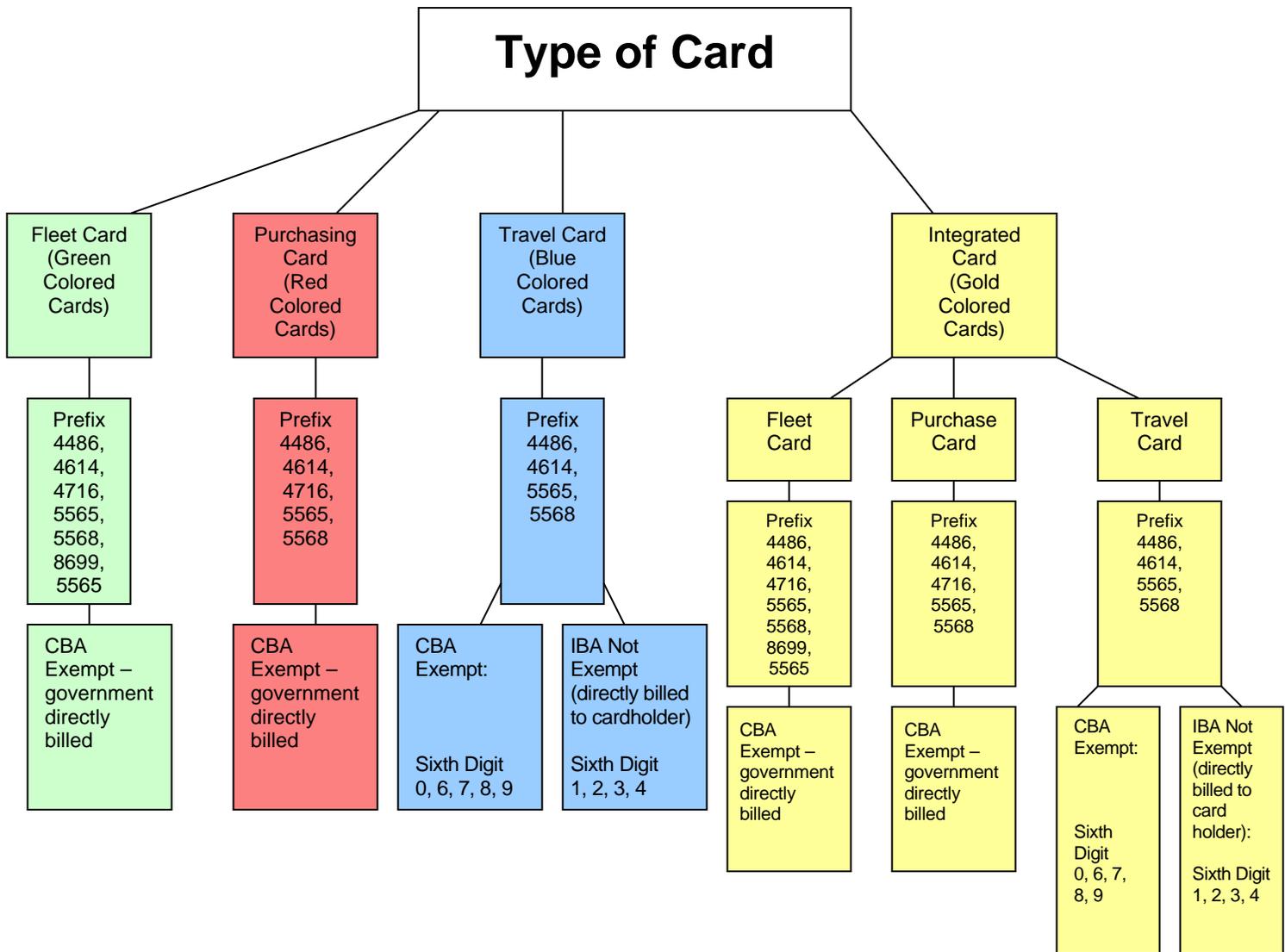
**Travel Cards:** Travel cards are used for travel related expenses only. These cards are Blue in color, states on the card “For Official Government Travel Only”, and have a picture of an airplane on the card. The CBA travel cards that are exempt from taxes have the prefixes 4486, 4614, 5565, & 5568 with the 6<sup>th</sup> digits being 0, 6, 7, 8, or 9. The platforms for these cards are Visa and MasterCard.

**Integrated Cards are always Centrally Billed Accounts.** Currently, the only users of the Integrated charge cards are Department of the Interior employees. These cards can be used for purchase, travel and fleet needs. These cards are gold in color states on the cards “For Official Government Use Only”, and have an eagle on the left side of the card. The prefixes for these cards are the same as the purchase, travel and fleet card prefixes.

## **Taxable Purchases**

Purchases made with SmartPay charge cards that are billed directly to the cardholder are not exempt from taxes (this depends on the state regulations). Payment is made directly to the bank by the cardholder and is reimbursed by the Government. These cards are considered individually billed accounts (IBA). The issuing banks for IBAs are Citibank, JP Morgan Chase, and US Banks. The platforms and 1<sup>st</sup> four prefixes for these cards are Visa (4486 & 4614) and Master Card (5565 & 5568) with the 6<sup>th</sup> digits being 1, 2, 3, or 4. The travel IBA cards are the color Blue with above prefix numbers and the gold Integrated Cards used for travel contains the prefix numbers above as well.

# FEDERAL GOVERNMENT “GSA SMARTPAY” CHARGE CARD PROGRAM



**NOTE:** The Department of the Interior uses a MasterCard issued by Bank of America. The card is used for **both** direct billed purchases and individual billed purchases. The bank sorts the purchases during the billing process. The account numbers begin with “5568-16.” Purchases of office supplies and other goods will be directly billed to the agency (tax-exempt). Purchases for lodging will be directly billed to the agency (tax-exempt). Restaurant food for all Department of Interior employees will be individually billed (taxable). These cards have the Department of Interior federal tax exempt identification number (14-0001849) on the card.

# FEDERAL SMARTPAY CHARGE CARD PROGRAM CARDS

## GSA SmartPay Purchase Card



## GSA SmartPay Travel Cards



## GSA SmartPay Fleet Cards



## DIPLOMATIC TAX EXEMPTION

Foreign diplomats and agents of foreign governments are exempt from paying state and state-collected sales tax **if** they present special sales tax exemption cards. These cards, issued by the U.S. Department of State, are described below. If the vendor has any questions regarding the identity of the bearer, the vendor may ask for additional forms of identification, such as a diplomatic ID, driver's license, etc.

The *Diplomatic Tax Exemption Card(s)* issued by the U.S. Department of State have a number of features that include but are not limited to, the following:

- the use of animal images to convey an immediate visual cue of the level of exemption the cardholder is authorized to receive;
- description of the cardholder's level of entitlement to tax exemption privileges presented on both the front and back sides of the card;
- laser engraved personalized data;
- optically variable device/Kinegram; and
- tactile micro-text (small raised text).

The animal images provide vendors and revenue authorities with (1) a visual cue of the general level of tax exemption privileges enjoyed by each cardholder and (2) whether the card is intended for official or personal purchases. These images (owl, eagle, buffalo, and deer) convey the following general information concerning the level of tax exemption authorized by a particular *Diplomatic Tax Exemption Card*:

- **Owl** – This image signifies that such cards are intended to be used solely in the connection with official purchases and that cardholder/mission is eligible for exemption from sales, occupancy, restaurant/meal, and other taxes without restriction.
- **Buffalo** – This image signifies that such cards are intended to be used solely in connection with official purchases and that cardholder/mission's eligibility for exemption from sales, occupancy, restaurant/meal, and other taxes is subject to some degree of restriction. For example, such cards may read "*EXEMPT FROM TAX ON PURCHASE OVER \$300; NOT VALID AT HOTELS.*"
- **Eagle** – This image signifies that such cards are intended to be used solely in connection with personal purchases and that the cardholder is eligible for exemption from sales, occupancy, restaurant/meal, and other taxes without restriction.
- **Deer** – This image signifies that such cards are intended to be used solely in connection with personal purchases and that the cardholder's eligibility for exemption from sales, occupancy, restaurant/meal, and other similar taxes is subject to some degree of restriction. For example, such cards may read "*EXEMPT FROM TAX ON PURCHASES OVER \$150; NOT EXEMPT FOR HOTELS, RESTAURANTS, & SERVICES.*"

There are additional features embedded in the design and manufacture of the *Diplomatic Tax Exemption Card* which are law enforcement sensitive. The Department of State has instituted a system to provide for the online verification of the validity of a *Diplomatic Tax Exemption Card* at <https://ofmapps.state.gov/tecv>. Information concerning the service and a telephone contact number are found on the reverse side of each *Diplomatic Tax Exemption Card*.

## WHEN IN DOUBT, COLLECT THE TAX

If a vendor and a purchaser disagree on the application of a tax, the vendor must collect the tax. [§39-26-102(22), C.R.S.] The vendor should give the purchaser a receipt for the purchase showing how much sales tax was collected. Advise the purchaser to file a Claim for Refund (DR 0137) which is available on the Web site [www.TaxColorado.com](http://www.TaxColorado.com). The vendor is ultimately responsible for the collection of sales taxes. For more information, see FYI Sales 3.

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FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.