GSA SmartTax
Leading Practices & Lessons Learned for State Taxes

presented by
Andrew Y. Lee
What are you hoping to learn from this class?
What are some of the most common questions you get or want answered?
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 tax assessment on GSA SmartPay® charge card transactions. Discussion topics includes:

- Legal History of State Tax Assessment
- When and Where do I Pay Taxes? What Forms do I need?
- What is CCCM Doing to Support Customers?
- What’s New for GSA SmartPay 3
- Leading Practices and Lessons Learned

Please note, topics discussed are for informational purposes only and does not constitute legal, tax advice, or change in policy.
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)
- Alabama v. King & Boozer, 314 U.S. 1 (1941)
- U.S. v. County of Fresno, 50 Cal. App. 3d 633 (1975)
Summary of Court Rulings

Courts ruled States have the sovereign right to assess taxes on individuals, however do not have the authority to assess taxes to the Federal government.

- 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® account holders?

- All CBA transactions are exempt from State taxes
  - Purchase
  - CBA Travel
  - Fleet
  - Integrated

- IBA transactions may be subject to State taxes, depending on the State
  - IBA Travel
  - Please note, for IBA split disbursements, the government is making payment on behalf of the individual and may still be subject to taxes
  - Exemption does not apply to fees
When and Where do I Pay Taxes?
What Forms do I need?
How Most States Collect Taxes

Many States rely on merchants to collect taxes assessed on purchases from buyers. Merchants serve as the decision point on whether or not 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 status
Which States Exempt IBA Transactions?

CCCM maintains a list of tax exempt States. For a complete listing of States and requirements, please visit [https://smartpay.gsa.gov/content/state-tax-information](https://smartpay.gsa.gov/content/state-tax-information):

- Alaska
- Delaware
- Florida
- Kansas
- Louisiana
- Massachusetts
- Missouri
- New York
- Oregon
- Pennsylvania
- Texas
- Wisconsin
- Puerto Rico
- Virgin Islands
Which States Exempt CBA Transactions?

All 50 states and U.S. territories exempt direct taxes on CBA cards, however some States require CBA tax exemption forms, which may include:

- Florida
- Georgia
- Louisiana
- Michigan
- Minnesota
- Rhode Island
- South Dakota
- Tennessee
- Texas
- Utah
- West Virginia
- Wisconsin
- Wyoming

For a complete listing of States and requirements, please visit: https://smartpay.gsa.gov/content/state-tax-information
Special Note For Taxes Directly Assessed to Merchants

There is an exception for States assessing taxes directly to merchants and not to buyers. For example, some States assess a gross receipts tax. There is no conflict with the Courts’ application of the Supremacy Clause for tax exemption. These States may include:

- Arizona
- Hawaii
- Illinois
- New Mexico

For specific information about each State, please visit: [https://smartpay.gsa.gov/content/state-tax-information](https://smartpay.gsa.gov/content/state-tax-information)
Amazon Tax Exemption Program

Purchases from Amazon.com LLC or subsidiaries in the States listed below are subject to tax. However, the government is eligible for exemption in these States through the Amazon Tax Exemption Program:

- Arizona
- California
- Connecticut
- Florida
- Georgia
- Indiana
- Kansas
- Kentucky
- Massachusetts
- Nevada
- New Jersey
- New York
- North Carolina
- North Dakota
- Pennsylvania
- Tennessee
- Texas
- Virginia
- Washington
- West Virginia
- Wisconsin

For information about Amazon documentation requirements by State, please visit: https://smartpay.gsa.gov/content/state-tax-information
What is CCCM Doing to Support Customers?
GSA SmartTax

CCCM launched the GSA SmartTax communications campaign to provide unified messaging about State tax requirements, leading practices, and lessons learned.

- Target messaging at the point of sale
- Federal government employees should pay taxes when required but not pay taxes when exempt
- Focus is on taxes assessed to the GSA SmartPay® Travel Card, however information available for CBA cards
Website Resources

Please visit the GSA SmartPay® SmartTax homepage for resources including the State tax map, common questions, and brochures for vendors.
Vendor Guides

Vendor guides are also available to provide merchants with information about tax exemption.
What’s New for GSA SmartPay 3
Transition Support for GSA SmartPay 3

CCCM is in the process of conducting outreach to State Departments of Revenue. Information requested includes the following:

- 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 6th digit for identification purposes
- Card artwork for all business lines
- Description for GSA SmartPay® Travel Tax Advantage account
GSA SmartPay® Travel Tax Advantage Account

Under the GSA SmartPay 3 Master Contract, a new travel product is available to help agencies avoid paying State sales tax at the point of sale. Product features include the following:

- Focused on exemption at point of sales for airlines, hotels, and rental cars
- The product is a CBA account with CBA 6th digit numbering
- Transactions for MCCs falling outside of airlines and rental cars are diverted to an IBA function
- Individuals are responsible and liable for paying Travel IBA bills
Leading Practices and Lessons Learned
Tax Exemption at Point of Sale is Key

GSA Tax Recovery Pilot results:
- Began Pilot in May 2013
- Significant administrative effort for little recovery
- State laws vary (often must seek recoveries 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
- Make sure to maintain a copy of all invoices /receipts
- Ask for the Exemption upfront! (call hotel in advance)
IBA Travel Leading Practices

- Visit the GSA SmartPay® website for exemption status
- Determine if a tax exemption form is needed
- Contact hotel/rental car company before travel
- If the hotel/rental car company does not recognize tax exemption status, refer representatives to the GSA SmartPay® website or the State’s taxation authority
- Maintain receipts in accordance with policy
- Know requirements for GSA SmartPay® Travel Card use
SmartTax CBA Leading Practices

- If a vendor does not exempt the charge card, identify another vendor who will
- Verify the government’s tax exemption status
- Verify CBAs are not assessed taxes
- Maintain copies of all receipts in order to verify taxes assessed to help reclaim them
- Monitor your account activity frequently
- Keep a record of exemptions and transactions
State Tax Reclamation

In accordance with the GSA SmartPay 2 Master Contract, banks are required to provide guidance to assist agencies in reclaiming taxes. Below are leading practices for tax reclamation:

- Maintain copies of all receipts in order to verify taxes assessed
- Work with your card holders to reclaim taxes erroneously assessed on CBA cards and applicable IBA cards
- Develop agency specific policies and procedures
More Resources
GSA SmartPay® Travel Card Mobile App

CCCM developed a SmartPay® Mobile App, which includes A/OPC contact information, state-specific tax information, and more.
Contact Information

GSA Contact Information:
- GSA SmartPay® Program Support (http://www.smartpay.gsa.gov)
  Helpline: (703) 605-2808
- Fedrooms® (hotels@fedrooms.com)
  Helpline: (800) 226-1741

Bank Contact Information:
- Citibank (http://www.cards.citidirect.com/welcome.asp)
  Customer Service: (800) 790-7206
  Customer Service: (888) 297-0781
- U.S. Bank (https://access.usbank.com/cpsApp1/index.jsp)
  Customer Service: (888) 994-6722