



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

SEPTEMBER 19, 2008

Tax-exempt Sales to the US Government

Do you make tax-exempt sales to the United States Government or its agencies? If so, it is important to be aware of which cards you can accept as being paid directly by the United States Government and which are the responsibility of the card holder.

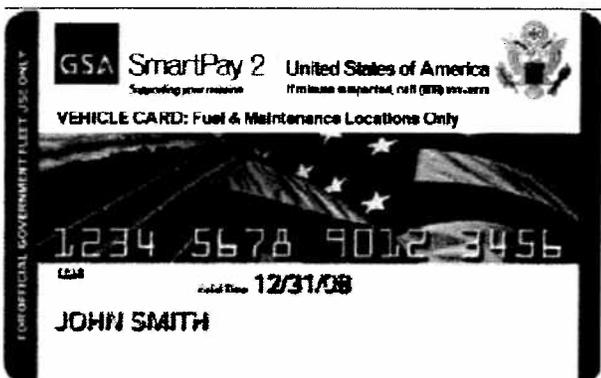
On November 30, 2008, the US Government is adopting a new credit card system. The new system is GSA SmartPay 2 or "SP2." There are several providers for each type of card and the cardholders may carry any of the following cards: VISA, MasterCard, Voyager, and Wright Express.

The SP2 cards will have the GSA SmartPay2 logo in the upper left corner, are embossed with "United States of America" and followed by the American Emblem in the upper right corner. The cards have **one of the designs pictured below**. The following are the four groups of cards that have been issued.



Purchase Cards:

- Exempt from retail sales tax, embossed with "For Official US Government Purchases Only" and "US Government Tax Exempt."
- VISA or MasterCard.
- Used to purchase tangible personal property.
- Issued by Citibank, JPMorgan Chase Bank and U.S. Bank.

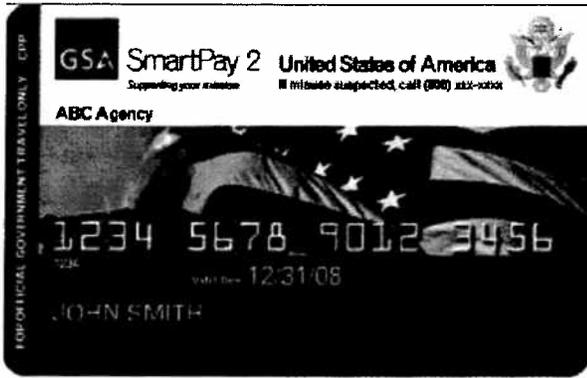


Fleet Cards:

- Exempt from retail sales tax, embossed with "For Official Government Fleet Use Only."
- Voyager or MasterCard.
- Generally issued to a specific vehicle, but may also be issued to individuals.
- Used to purchase fuel, repair services, supplies, and other items related to government vehicles, airplanes, boats, and equipment.
- Issued by Citibank, JPMorgan Chase Bank and U.S. Bank.

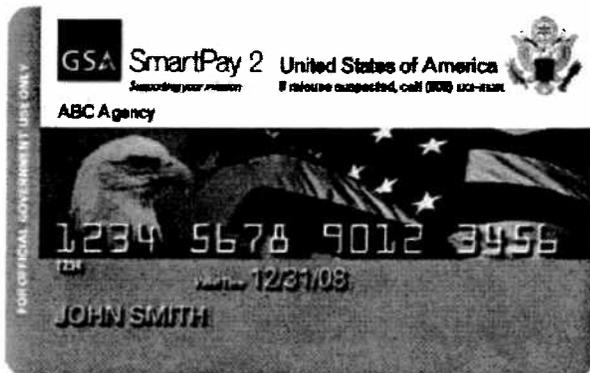
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Travel Cards:

- May or may not be exempt from retail sales tax (see chart on page 3).
- Embossed "For Official Government Travel Only" and "CPP."
- VISA or MasterCard.
- Used to purchase air fare, lodging accommodations, meals, etc.
- Issued by Citibank, JPMorgan Chase Bank and U.S. Bank.



Integrated Cards:

- Exempt when used to purchase tangible personal property.
- Exempt when used for fleet purchases or services.
- May or may not be exempt from retail sales tax when used to purchase travel, i.e., air fare, lodging accommodations, rental cars, meals, etc. (Please see charts below.)
- Embossed "For Official Government Use Only."
- VISA or MasterCard.
- Used for any combination of purchase, travel, or fleet services.
- Issued by Citibank, JPMorgan Chase Bank and U.S. Bank.

As explained in Washington Administrative Code (WAC) 458-20-190, only those sales made directly to the US Government qualify for a retail sales tax exemption. Sales to federal employees or representatives of the federal government are subject to sales tax, even though the federal government may reimburse them for all or part of the expenses.

Not all Travel Cards or travel purchased with the Integrated Cards qualify for the exemption.

- Only credit card accounts that are billed directly to the US Government - Centrally Billed Accounts (CBAs) - qualify for the exemption from the retail sales tax.
- Accounts billed to and paid by the individual making the purchase who is reimbursed by the US Government - Individually Billed Accounts (IBAs) - do not qualify for the exemption from the retail sales tax.
- Integrated cards may be a combination of IBA and CBA charges.

Please use the following charts to determine whether you should charge sales tax on travel or travel-related charges. The sixth digit of the account number will identify exempt cards.

TRAVEL & TRAVEL-RELATED CHARGES PAID FOR BY USING THE US GOVERNMENT VISA TRAVEL OR INTEGRATED CARDS

VISA Prefix	Fifth Digit	Sixth Digit	CBA or IBA	Exempt
4486 & 4614	0-9*	0, 6,7,8,9	CBA	YES
4486 & 4614	0-9*	1,2,3,4	IBA	NO

**TRAVEL & TRAVEL-RELATED CHARGES PAID FOR BY USING THE US GOVERNMENT
MASTERCARD TRAVEL OR INTEGRATED CARDS**

MasterCard Prefix	Fifth Digit	Sixth Digit	CBA or IBA	Exempt
5564, 5565, 5568	0-9*	0, 6,7,8,9	CBA	YES
5564, 5565, 5568	0-9*	1,2,3,4	IBA	NO

* The fifth digit can be any number between 0 through 9 and is not used to determine the taxability of cards.

The only means to purchase goods or retail services exempt from the retail sales tax is if:

- The purchase is paid for using a qualified exempt US Government credit card.
- The purchase is paid for by a check from the US Government payable to the business.
- The purchase is paid for by a government voucher.
- Cash purchases are accompanied by a standard federal form SF 1165.

Records to be Kept

Sellers must keep proper documentation as follows:

- The vendor's copy of the receipt must be kept when a US Government credit card is used.
- A copy of the federal government voucher when a voucher is used.
- A signed copy of Form SF 1165 when the buyer makes a cash purchase.
- If you are presented with a formal US Government exemption certificate, **this is not acceptable proof.**

Business and Occupation Tax

The gross amount received from sales of tangible personal property or retail services to the US Government is subject to the **Retailing** classification of the business and occupation tax. The exemption from the retail sales tax **does not** extend to the business and occupation tax.

Administrative Rules

Washington Administrative Code (WAC) 458-20-190 Sales to and by the United States, its departments, institutions and instrumentalities—Sales to foreign governments.

More Information or Questions?

If you have any questions, please call the Department of Revenue's Telephone Information Center at 1-800-647-7706 or write to the Department of Revenue, Taxpayer Information and Education, PO Box 47478, Olympia, Washington 98504-7478, fax (360) 705-6655. You can also visit our web site at: <http://dor.wa.gov>.

To view the cards or find more information on the new cards issued under the GSA SmartPay2 Program, please visit the US General Services Administration (GSA) web site at: www.gsa.gov/gasasmartpay.

To find out more information on how individual states tax federal employees on official business, please visit the GSA web site.