



301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

SC INFORMATION LETTER #88-11

TO: Vicki Jinnette
Public Information Officer

FROM: Jerry B. Knight, Manager
Tax Policy and Procedures Department

DATE: June 1, 1988

SUBJECT: Federal Credit Card Program

REFERENCE: S.C. Code Ann. Section 12-35-550(1) and (42)

AUTHORITY: S.C. Code Ann. Section 12-3-140
SC Revenue Procedure #87-3

SCOPE: An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts.

The Federal government has adopted a new U.S. government Bankcard program which allows federal employees to make retail purchases without payment of retail sales tax. The U.S. Government Bankcard is a Mastercard issued from the National Bank of Colorado. The card is normally used for purchases of equipment and supplies. Occasionally, however, the card may be used to purchase meals or lodging for groups of federal employees. The card may be used for official purposes only.

Cards issued under this program are easy to identify. The account number on each card begins with the prefix "5227." In addition, the words "U.S. GOVT TAX EXEMPT" are embossed above the federal employee's name. Purchases made with a U.S. Government Bankcard are not subject to retail sales tax because card charges are paid directly by the U.S. Government.

The program should not be confused with other credit card programs. For example, purchases of meals and lodging made under the Diners Club Government Card program are fully subject to retail sales tax. The Diners Club Government Card, like the U.S. Government Bankcard, may be used for official purposes only. The difference is that the federal employee is billed directly by Diners Club and is personally responsible for submitting full payment directly to Diners Club. Therefore, credit card sales to federal employees are exempt from sales tax if the first four digits of the account number on the card are "5227." In all other cases tax is due.

This information is a reprint of an article found in the Washington State, Department of Revenue Newsletter (Tax Topics, No. 10, January-March 1988). See also S.C. Revenue Ruling #88-8.