SC REVENUE RULING #09-1

SUBJECT: Federal Government Credit Cards
(Sales and Use Tax)

EFFECTIVE DATE: November 30, 2008

SUPERSEDES: SC Revenue Advisory Bulletin #02-3

S. C. Code Ann. Section 12-36-2130
SC Revenue Ruling #88-8

SC Revenue Procedure #05-2

SCOPE: The purpose of a Revenue Ruling is to provide guidance to the public
and to Department personnel. It is an advisory opinion issued to apply
principles of tax law to a set of facts or general category of taxpayers.
It is the Department’s position until superseded or modified by a
change in statute, regulation, court decision, or another Departmental
advisory opinion.

Code Section 12-36-2120(2) exempts from South Carolina sales and use tax “tangible
personal property sold to the federal government.” Accordingly, in a transaction with the U.S.
Government or federal employee conducting official business the applicability of the sales
and use tax depends on whether the U.S. Government or the federal employee is making the
purchase. The Department has concluded the following with respect to the sales and use tax
exemption in Code Section 12-36-2120(2):

1. When the sale is between the retailer and the U.S. Government. If the U.S Government is
billed directly or a federal employee uses a credit card whereby the U.S. Government is
billed or the employee pays with a federal government check, the sale is exempt from
South Carolina sales and use tax. The Department does not require that a tax exempt form
be provided to the retailer to receive the tax exemption.

2. When the sale is between the retailer and the federal employee. If the federal employee is
billed directly and reimbursed by the U.S. Government, the sale is subject to South
Carolina sales and use tax. See SC Revenue Ruling #88-8.
The purpose of this advisory opinion is to specifically address the sales and use tax applicability to purchases made with the GSA SmartPay® credit cards described below.

The General Services Administration (“GSA”), through the GSA SmartPay® program, has entered into a contract with Citibank, JPMorgan Chase, and US Bank to provide charge card services to Federal government agencies and organizations for conducting official business. For most agencies/organizations, the program will be effective November 30, 2008 through November 29, 2018.

All GSA SmartPay® 2 charge cards can be identified by their unique prefixes and account numbers, government designed artwork, and wording that indicates that the card is for official purchases for the U.S. Government. These cards/accounts can be Centrally Billed Accounts, Individually Billed Accounts, or Integrated Accounts (i.e., centrally billed accounts, individually billed accounts, or a combination.) Card designs and account numbering structures can be accessed at www.gsa.gov/gsasmartpay and are also provided in Exhibit B for reference.

The GSA SmartPay® program consists of three business lines that are billed to either to the U.S. Government (centrally billed accounts) or federal employee (individually billed accounts) and are subject to South Carolina sales and use tax as indicated. The four GSA SmartPay cards provided are:

1. **Purchase Charge Card.** This card is used for purchasing supplies and services to support U.S. Government missions. It is a centrally billed account. Accordingly, official purchases made with these cards are exempt from South Carolina sales and use taxes.

2. **Fleet Charge Card.** This card is used for government vehicle fuel and maintenance requirements. It is a centrally billed account. Accordingly, official purchases made with these cards are exempt from South Carolina sales and use taxes.

3. **Travel Charge Card.** This card is used for official government travel and travel related expenses. It may be a centrally billed account or an individually billed account; the 6th digit identifies whether the account is centrally or individually billed. If the 6th digit indicates the account is centrally billed, official purchases made with these cards are exempt from South Carolina sales and use taxes. If the 6th digit indicates the account is individually billed, official purchases made with these cards are subject to South Carolina sales and use taxes. (See “Billing Method” in Exhibit A for the 6th digit identifier.)

---

1 Centrally Billed Accounts (“CBAs”). CBAs are charge card accounts in which all charges are billed directly to the federal government and paid directly by the federal government to the issuing bank. These cards are the sole responsibility of the U.S. Government.

2 Individually Billed Accounts (“IBAs”). IBAs are charge card accounts in which charges are paid directly by the cardholder/federal employee to the issuing bank; the federal employee is then reimbursed by the government. These cards are the sole responsibility of the employee (i.e., the federal government is not responsible if the cardholder fails to pay.)
4. **Integrated Charge Card.** This card combines two or more of the above business lines (i.e., includes fleet, travel, and/or purchase functionality and offers a single card for all purchases). The numbering structure to differentiate between centrally and individually billed accounts will be specific to each agency or organization using the Integrated card.

Currently, the Department of Interior is the only agency that uses the integrated card. In a letter dated November 19, 2008, the Department of Interior stated that transactions on the integrated cards begin with account number 558626 and are centrally billed and paid directly by the federal government. Since the numbering sequence indicates the account is centrally billed, official purchases made with these cards are exempt from South Carolina sales and use taxes.

**Note:** If the numbering sequence specific to each agency or organization indicates the integrated card account is individually billed, then such official purchases will be subject to South Carolina sales and use taxes.

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/Ray N. Stevens
Ray N. Stevens, Director

February 23, 2009
Columbia, South Carolina
The following chart summarizes the taxability of sales transactions with the U.S. Government or federal employees using the GSA SmartPay® program, the unique prefixes and account numbers on each card, and a brief description of the government designed artwork and wording on the card.

<table>
<thead>
<tr>
<th>1st four numbers on the card</th>
<th>Purchase Card</th>
<th>Fleet Card</th>
<th>Travel Card</th>
<th>Integrated Card – Used only by the Dept. of Interior as of 11/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>5565 or 5568</td>
<td>MasterCard</td>
<td>MasterCard</td>
<td>MasterCard</td>
<td>MasterCard 5565 or 5568</td>
</tr>
<tr>
<td>Visa 4486, 4614, or 4716</td>
<td>Visa 4486, 4614, or 4716</td>
<td>Visa 4486 or 4614</td>
<td>6th digit indicates billing method (see below)</td>
<td></td>
</tr>
<tr>
<td>Voyager 8699</td>
<td>Voyager 8699</td>
<td>Visa 4486 or 4614</td>
<td>6th digit indicates billing method (see below)</td>
<td></td>
</tr>
<tr>
<td>Wright Express 5565</td>
<td>Wright Express 5565</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|----------------------------|--------------------------------------------------------------------------|--------------------------------|------------------------------|---------------------------------|

<table>
<thead>
<tr>
<th>Billing Method</th>
<th>Centrally billed</th>
<th>Centrally billed if 6th digit is 0, 6, 7, 8, or 9. Individually billed if 6th digit is 1, 2, 3, or 4.</th>
<th>Centrally billed if 6th digit is 0, 6, 7, 8, or 9. Individually billed if 6th digit is 1, 2, 3, or 4.</th>
<th>All fleet and purchase type transactions are centrally billed; Travel type transactions are centrally billed if the 6th digit is 6, 7, 8, or 9, otherwise individually billed.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Tax Exemption Applicability</th>
<th>Exempt from sales and use tax</th>
<th>Exempt from sales and use tax</th>
<th>Depends on billing method above; centrally billed are exempt; individually billed are taxable</th>
<th>Purchase and Fleet transactions are exempt; Travel transactions centrally billed are exempt</th>
</tr>
</thead>
</table>


EXHIBIT B
Sample of SmartPay 2 Charge Cards

<table>
<thead>
<tr>
<th>Fleet Card</th>
<th>Purchase Card</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Fleet Card" /></td>
<td><img src="image2" alt="Purchase Card" /></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Travel Card</th>
<th>Integrated Card – Used by Dept. of Interior Only</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image3" alt="Travel Card" /></td>
<td><img src="image4" alt="Integrated Card" /></td>
</tr>
</tbody>
</table>