



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES



August 4, 2008

David J. Shea, Director  
Office of Charge Card Management  
Federal Acquisition Service  
U.S. General Services Administration  
2200 Crystal Drive  
Room 500  
Arlington, Virginia 22202

Re: GSA SmartPay 2 Charge Card Program  
Legal Division File No. 19930

Dear Mr. Shea:

We have reviewed your form ("Tax Exempt Offerings Form") and do not believe that the design of your form will enable us, by completing your form, to provide the answers that you are requesting. Therefore, our letter will provide the answers that you are requesting.

Publications and certificates referred to in this letter are available on the DRS website, [www.ct.gov/drs](http://www.ct.gov/drs).

**Sales Tax, Lodging Tax, Hotel Occupancy Tax, and Public Accommodation Tax**

We are not familiar with the distinctions that you may be drawing between "sales tax," "lodging tax," "hotel occupancy tax," and "public accommodations tax." Fortuitously, however, Connecticut sales and use taxes apply to sales of tangible personal property, rentals of tangible personal property, sales of certain services, sales of meals, and sales of lodging. Consequently, the following information should apply for purposes of the rows of your form labeled "Sales Tax," "Lodging Tax," "Hotel Occupancy Tax," and "Public Accommodations Tax."

*Basic principles.* Sales or rentals of tangible personal property or sales of certain services, including sales of meals and lodging, made directly to the U.S. Government are exempt from Connecticut sales and use taxes. Sales to federal employees (rather than to the U.S. Government itself) are subject to sales and use taxes, even if the U.S. Government reimburses the employees for all or a portion of their purchases.

*Fleet Cards and Purchase Cards.* Purchases made using a GSA SmartPay 2 **Fleet Card** or a GSA SmartPay 2 **Purchase Card** are exempt from Connecticut sales and use taxes because the purchases are made, and billed directly, to the U.S. Government. DRS does

**not** require federal employees to provide retailers with a **CERT-134**, *Sales and Use Tax Exemption for Purchases by Qualifying Governmental Agencies*, when using a GSA SmartPay 2 Fleet Card or a GSA SmartPay2 Purchase Card to make a purchase.

*Travel Cards.* Purchases made using a GSA SmartPay 2 **Travel Card** may or may not be exempt because some sales using these cards are billed to and paid by federal employees (“individually billed accounts”) rather than billed to and paid by the U.S. Government (“centrally billed accounts”). The centrally billed accounts are not subject to Connecticut sales and use taxes. The individually billed accounts are subject to Connecticut sales and use taxes. The sixth digit of the GSA SmartPay 2 Travel Card account number identifies whether or not the GSA SmartPay 2 Travel Card may be used to make exempt purchases.

**Determining Taxability of Purchases Made using GSA SmartPay 2 Travel Card**

VISA Prefix	MasterCard Prefix	Sixth Digit	Billed to	Tax-Exempt
4486 and 4614	5565 and 5568	0,6,7,8,9	U.S. Government <i>centrally billed account</i>	Yes
4486 and 4614	5565 and 5568	1,2,3,4	employee <i>individually billed account</i>	No

Where purchases made using GSA SmartPay 2 Travel Cards are tax-exempt, DRS does **not** require federal employees to provide retailers with a **CERT-134** when making those purchases. Where purchases made using GSA SmartPay 2 Travel Cards are not tax-exempt, retailers **must** charge tax and a **CERT-134** may not be used.

*Integrated Cards.* Purchases using the GSA SmartPay 2 **Integrated Card** may or may not be exempt because some purchases made using these cards are billed to and paid by federal employees (“individually billed accounts”) rather than billed to and paid by the U.S. Government (“centrally billed accounts”). The centrally billed accounts are not subject to Connecticut sales and use taxes. The individually billed accounts are subject to Connecticut sales and use taxes. However, unlike the GSA SmartPay 2 Travel Card, the sixth digit of the GSA SmartPay 2 Integrated Card account number does not, in a manner suitable for retailers and acceptable to DRS, identify whether or not the GSA SmartPay 2 Integrated Card is a centrally billed account or an individually billed account. Therefore, purchases made using GSA SmartPay 2 Integrated Cards are presumed not to be tax-exempt. Where an account is a centrally billed account, a retailer must charge tax unless a **CERT-134** is provided by a federal employee to the retailer. Where an account is an

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individually billed account, a retailer must charge tax and a **CERT-134** may not be provided by a federal employee to the retailer.

*Verification Guidelines.* To verify that an authorized individual is using a GSA SmartPay 2 card, a retailer must require identification establishing the individual's identity and status as a U.S. Government employee, such as an employee photo identification card. The retailer must note the employee's identification number and agency on the merchant copy of the sales receipt that the retailer retains for its records.

If a retailer has reason to believe that a GSA SmartPay 2 card is being used to make any purchase not directly billed to and paid by the U.S. Government, or that for any other reason does not qualify for exemption under Conn. Gen. Stat. §12-412(1), the retailer must charge sales and use taxes on the purchase. The credit card holder may then request a refund from DRS for the taxes by submitting evidence that the purchase was billed directly to and paid by the U.S. Government. The purchaser should follow the procedures in **Policy Statement 98(5)**, *Sales and Use Tax Refund Policy*.

Retailers failing to follow the verification guidelines set forth by DRS for authorized GSA SmartPay 2 card users may be held liable for sales and use taxes on the purchases in question.

### **Tourism Tax**

Two different surcharges—the Tourism Account Surcharge and the Motor Vehicle Rental Surcharge—are imposed on the rental of passenger motor vehicles for a period of 30 calendar days or less. (These surcharges are described in **Policy Statement 2002(5)**, *The Motor Vehicle Rental Surcharge and the Tourism Account Surcharge*.) A rental of a passenger motor vehicle made directly to the U.S. Government is exempt from these surcharges. A rental of a passenger motor vehicle to a federal employee (rather than to the U.S. Government itself) is subject to these surcharges, even if the U.S. Government reimburses the employee for all or a portion of the rental.

*Fleet Cards or Purchase Cards.* Assuming that a GSA SmartPay 2 Fleet Card or a GSA SmartPay 2 Purchase Card may, in accordance with GSA guidelines, be used to rent a passenger motor vehicle, rentals of passenger motor vehicles made using a GSA SmartPay 2 Fleet Card or a GSA SmartPay 2 Purchase Card are exempt from the Tourism Account Surcharge and the Motor Vehicle Rental Surcharge because the rentals are made, and billed directly to, the U.S. Government.

*Travel Cards.* Rentals of passenger motor vehicles made using a GSA SmartPay 2 Travel Card may or may not be exempt because some rentals using these cards are billed to and paid by federal employees ("individually billed accounts") rather than billed to and paid by the U.S. Government ("centrally billed accounts"). The centrally billed accounts are not subject to the Tourism Account Surcharge and the Motor Vehicle Rental Surcharge.

The individually billed accounts are subject to the Tourism Account Surcharge and the Motor Vehicle Rental Surcharge. The sixth digit of the GSA SmartPay 2 Travel Card account number identifies whether or not the GSA SmartPay 2 Travel Card is a centrally billed account or an individually billed account.

**Determining Taxability of Rentals Made using GSA SmartPay 2 Travel Card**

VISA Prefix	MasterCard Prefix	Sixth Digit	Billed to	Tax-Exempt
4486 and 4614	5565 and 5568	0,6,7,8,9	U.S. Government <i>centrally billed account</i>	Yes
4486 and 4614	5565 and 5568	1,2,3,4	employee <i>individually billed account</i>	No

*Integrated Cards.* Rentals of passenger motor vehicles made using the GSA SmartPay 2 **Integrated Card** may or may not be exempt because some rentals made using these cards are billed to and paid by federal employees (“individually billed accounts”) rather than billed to and paid by the U.S. Government (“centrally billed accounts”). The centrally billed accounts are not subject to the Tourism Surcharge and the Motor Vehicle Rental Surcharge. The individually billed accounts are subject to the Tourism Account Surcharge and the Motor Vehicle Rental Surcharge. However, unlike the GSA SmartPay 2 Travel Card, the sixth digit of the GSA SmartPay 2 Integrated Card account number does not, in a manner suitable for rental companies and acceptable to DRS, identify whether or not the GSA SmartPay 2 Integrated Card is a centrally billed account or an individually billed account. Therefore, rentals of passenger motor vehicles made using GSA SmartPay 2 Integrated Cards are presumed not to be tax-exempt. Where an account is a centrally billed account, a retailer must charge tax unless a **CERT-134** is provided by a federal employee to the retailer. Where an account is an individually billed account, a retailer must charge the Tourism Surcharge and the Motor Vehicle Rental Surcharge and a **CERT-134** may not be provided by a federal employee to the rental company.

*Verification Guidelines.* To verify that an authorized individual is using a GSA SmartPay 2 card, a rental company must require identification establishing the individual’s identity and status as a U.S. Government employee, such as an employee photo identification card. The rental company must note the employee’s identification number and agency on the merchant copy of the rental receipt that the rental company retains for its records.

If a rental company has reason to believe that a GSA SmartPay 2 card is being used to make any rental not directly billed to and paid by the U.S. Government, or that for any

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other reason does not qualify for exemption, the rental company must charge the Tourism Account Surcharge and the Motor Vehicle Rental Surcharge on the rental. The credit card holder may then request a refund from DRS for the taxes by submitting evidence that the rental was billed directly to and paid by the U.S. Government.

Rental companies failing to follow the verification guidelines set forth by DRS for authorized GSA SmartPay 2 card users may be held liable for the Tourism Account Surcharge and the Motor Vehicle Rental Surcharge on the rentals in question.

**Motor Vehicle Fuels Tax:**

The Connecticut motor vehicle fuels tax is included in the price paid for motor vehicle fuel at the pump. (The motor vehicle fuels distributor licensed by DRS is the person that actually pays the Connecticut motor vehicle fuels tax to DRS.) We understand that, in general, the past practice of the U.S. Government has been to obtain a "refund" of the tax from the motor vehicle fuels distributor licensed by DRS, rather than to obtain the refund from DRS. When a licensed motor vehicle fuels distributor files a claim for refund of the Connecticut motor vehicle fuels tax with DRS, and the claim is with respect to tax paid at the pump on purchases made with GSA SmartPay 2 cards, the claim will be allowed or disallowed in accordance with the explanation furnished above. Thus, claims for refund with respect to purchases made with GSA SmartPay 2 **Fleet Cards** or GSA SmartPay 2 **Purchase Cards** will be allowed. Claims for refund with respect to purchases made with GSA SmartPay 2 **Travel Cards** that are centrally billed (as indicated by the sixth digit of the account) will be allowed. Claims for refund with respect to purchases made with GSA SmartPay 2 **Travel Cards** that are individually billed (as indicated by the sixth digit of the account) will be disallowed. Claims for refund with respect to purchases made with GSA SmartPay 2 **Integrated Cards** that are centrally billed will be allowed, if a **CERT-134** is provided. Claims for refund with respect to purchases made with GSA SmartPay 2 **Integrated Cards** that are individually billed will be disallowed.

Sincerely,



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