GSA SmartPay® Website
Tax Exemption - GSA’s Request Letter
- State Tax Letters

Tax Exemption

At the onset of the GSA SmartPay® Program in November 1998, GSA SmartPay® sent a letter to each of the states requesting that they (1) extend tax exemption for purchases made with the charge cards and (2) rescind any requirement for the federal government to provide a tax exemption certificate when a GSA SmartPay® charge card is used as the method of purchase. To view a copy of the GSA letter, please go to GSA’s web site at http://www.gsa.gov and type State Tax Letters in the search box. The State Tax Letters outline how each state will treat the tax issues. Tax treatment can vary from state to state.

There are two account types within GSA SmartPay®:

- **Centrally Billed Accounts (CBAs):** CBAs are card accounts where charges are billed directly to and paid directly by the federal government. CBAs are exempt from state and local taxes.

- **Individually Billed Accounts (IBAs):** IBAs are card accounts where charges are billed to the individual cardholder. Payments for IBAs are the responsibility of the cardholder whether payments are made directly by the individual or through split disbursement by the cardholder’s agency. Split disbursement divides a travel voucher reimbursement between the charge card vendor and the traveler, sending the balance owed directly to the appropriate party. Even though the employee may be reimbursed for the travel expense by the government, IBAs are usually not tax exempt.

The **Purchase** charge card is a CBA.
The **Fleet** charge card is a CBA.
The **Travel** charge card can be a CBA or an IBA.

**TRAVEL CHARGE CARD IBAs:**
Most tax questions center around tax treatment for travel charge cards that are issued in an individual employee’s name (IBA accounts). In most instances, the various states treat transactions made with these cards as a taxable transaction. To determine how a particular state handles the issue, you must review the State’s Tax Letter.

If you need to determine if a travel charge card is a CBA or an IBA, refer to the 6th digit on the account number on the card. Here is a table that can help:

<table>
<thead>
<tr>
<th>Prefix (1st four digits)</th>
<th>Sixth Digit</th>
<th>Platform</th>
<th>Issuing Bank</th>
<th>Billing Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>4486 &amp; 4716 &amp; 5568</td>
<td>0, 6, 7, 8, 9</td>
<td>Visa &amp; MasterCard</td>
<td>Bank of America Citibank JP Morgan Chase US Bank</td>
<td>Centrally Billed</td>
</tr>
<tr>
<td>4486 &amp; 4716 &amp; 5568</td>
<td>1, 2, 3, 4</td>
<td>Visa &amp; MasterCard</td>
<td>Bank of America Citibank JP Morgan Chase US Bank</td>
<td>Individually Billed</td>
</tr>
</tbody>
</table>