

City and County of Denver, Colorado

TAX GUIDE

Topic No. 91

CREDIT CARDS FROM GOVERNMENTAL ORGANIZATIONS

The Denver Revised Municipal Code (DRMC) exempts from sales and lodger's tax all sales to the United States government, to the State, its departments and institutions, and the political subdivisions when purchased in their governmental capacities. In order for the governmental entity to take advantage of the tax exemption, the billing must be made directly to the governmental entity, and the payment must be received directly from the governmental entity. In some cases, the governmental organization utilizes a credit card to pay for the purchase.

If the credit card is directly billed to, and directly paid by the governmental organization, the transaction is **exempt** from tax.

If the credit card is in the name of the governmental organization and the individual, with the individual being responsible for the payment of the credit card, the transaction is **not exempt** from tax. Purchases charged to a personal credit card by a governmental employee, even if they are reimbursed by the governmental organization, are **not exempt**.

The criteria to identify whether or not the government credit card is billed directly to a governmental organization (and therefore exempt) are described below.

FEDERAL CREDIT CARDS

The federal government's credit card program is called "GSA SmartPay". There are currently four different categories of these credit cards: Fleet cards, Purchase cards, Travel cards, and Integrated cards.

Fleet Cards. Fleet cards may be either a Visa, MasterCard, Voyager or Wright Express, will be outlined in green, will have a background picture of a road and a flag, and will be identified as being for official government fleet use only. These cards are billed directly to the governmental agency, so purchases made using Fleet Cards are **exempt** from Denver tax.

Purchase Cards. Purchase cards may be either a VISA or MasterCard, will be outlined in red, will have a background picture of a cash register 10-key pad with a flag, and will be identified as being for official government purchases only. These cards are billed directly to the governmental agency, so purchases made using Purchase Cards are **exempt** from Denver tax.

Travel Cards. Travel cards may be either a VISA or MasterCard, will be outlined in blue, will have a background picture of an airplane and a flag, and will be identified as being for official government travel only. For these cards, the 6th digit on the card must be examined.

If the 6th digit is a 0, 6, 7, 8, or 9, the card is billed directly to the governmental agency, so purchases made using these cards are **exempt** from Denver tax. If the 6th digit is a 1, 2, 3, or 4, the card is billed individually, so the purchases made using these cards are **not exempt** from Denver tax.

Integrated Cards. Integrated cards may be either a VISA or MasterCard, will be outlined in gold, will have a background picture of an eagle and a flag, and will be designated as being for governmental use only. Currently, the Department of the Interior is the only federal government agency using the Integrated Cards and they are handled as follows: purchase, fleet and travel transactions (airline and rail tickets, lodging, shuttles, rental cars, taxis, etc) are centrally billed accounts and thus exempt from Denver tax. The only exceptions are meals, incidentals, and ATM expenses, for which taxation is determined by the 6th digit, just like a travel card.

Examples of the types of Federal Credit Cards (Background pictures only)

Fleet Card – Not Taxable



Purchase Card – Not Taxable



Travel Card – may or may not be taxable
(see text)



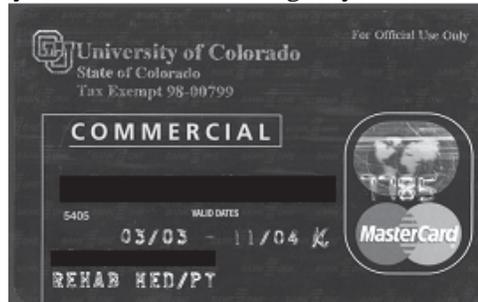
Integrated Card – may or may not be taxable
(see text)



STATE OF COLORADO CREDIT CARDS

The State of Colorado uses three different categories of credit cards.

Procurement Cards. Procurement cards display the words “State of Colorado” and “For Official Use Only”. These cards show the agency’s tax exemption number that begins with “98”, followed by five digits. Purchases made on these cards are directly billed to the State agency, so are **exempt** from Denver tax.



US Bank VISA Event Cards. Event cards are primarily used for meetings. These cards display the words “Tax Exempt” followed by the agency’s tax exemption number (“98” followed by five digits) and the employee’s name. These cards are billed directly to the State agency so purchases made using these cards are **exempt** from Denver tax.

Travel Cards. Travel cards display only the words “State of Colorado” and the employee’s name; there is no tax exemption number. Purchases made on these cards are billed to the individual, so are **not exempt** from Denver tax.

COLORADO LOCAL GOVERNMENT CREDIT CARDS

Some local governments in Colorado issue credit cards in both the government employee and agency’s name.

Purchase cards display the name of the government entity and the words “Purchasing Card.” Purchase cards are billed directly to the government entity, so purchases made using these cards are **exempt** from Denver tax. All other local government credit cards are billed to individuals, so are **not exempt** from Denver tax.

OUT OF STATE LOCAL AND STATE GOVERNMENT CREDIT CARDS

Local and state governmental entities from outside the State of Colorado can make purchases exempt from Denver tax under the same rules as Colorado local government entities.

STATE DEPARTMENT ISSUED FOREIGN AND DIPLOMATIC TAX EXEMPTION

Purchases made by foreign diplomats and agents of foreign governments are exempt from Denver tax **if** they present special sales tax exemption cards. These cards, issued by the U.S. Department of State, bear the name and photograph of the authorized bearer. The cards are either “Mission Tax Exemption” cards, or “Personal Tax Exemption” cards, and this is stated on the front of the card.

Mission Tax Exemption cards are issued to designated representative of embassies, consulates, and international organizations for use when making official mission purchases. These cards are only valid for official mission purchases and all purchases must be made in the name of the mission and paid for by either a mission check or credit card. Cash, credit cards or personal checks in the name of the bearer of the mission tax exemption card cannot be used as payment. Cards may be used by other mission employees for official purchases.

Personal Tax Exemption cards are issued for the sole benefit of the individual identified and pictured on the card. These cards are non-transferable. Payments by cash, credit cards or personal checks in the name of the bearer of the personal tax exemption card are acceptable for exempt purchases using this card.

Both types of Diplomatic Tax Exemption cards include animal symbols and narrative indicating the specific type of tax exemption of the cardholder and all restrictions on tax exemption (i.e. "Exempt from taxes imposed on purchases over \$300; not valid at hotels"). These cards should be examined carefully to ensure that the purchase falls within the tax exemption granted. Please visit www.state.gov/ofm/tax for further information.

BURDEN OF PROOF

Vendors must maintain documentation to verify whether a transaction is exempt. Typically, this would be a completed, signed copy of the "Standard Municipal Home Rule Affidavit of Exempt Sale" and a copy of the diplomatic exemption card. **At no time should a vendor ever make a photo copy of the Government Credit Card or write down any numbers not specifically requested on the "Standard Municipal Home Rule Affidavit of Exempt Sale."**

If the vendor and the purchaser disagree on the application of the tax, the vendor must collect the tax. The vendor should give the purchaser a receipt showing the taxes collected. The purchaser then has 60 days to file a claim for refund directly with the City for recovery of the tax. The claim for refund form can be obtained from the Treasury web site.

EXAMPLES:

1. Sue, a government official with the Governor's Office of the State of Texas, traveled from Austin to Denver to attend a US Governor's conference in downtown Denver. Traveling with Sue was Jane, an outside consultant from Austin who has contracted with the State of Texas to assist the Governor's Office with special projects. Sue and Jane stayed at the same downtown hotel for the week-long conference. When checking out of the hotel, Sue paid for her bill with her State of Texas purchase card and the hotel properly did not charge lodger's tax on her bill.

Jane, on the other hand, being a private contractor for the State of Texas, paid her bill with her own VISA credit card. Jane explained to the hotel clerk that her travels were on behalf of the State of Texas and would be reimbursed – therefore her bill should also be exempt from lodger's tax. Don, the hotel clerk, had recently attended a City of Denver quarterly tax seminar and recalled this topic being addressed. He remembered the presenter explaining that if the credit card used is not directly billed to and paid for by the tax-exempt entity, the exemption would be disallowed. Knowing this, the hotel properly included the lodger's tax on Jane's bill.

2. Senator Jones traveled to Denver for a town-hall meeting with local constituents. At the rental car counter he produced his VISA travel card and noted his tax exempt status to the agent at the counter. The agent compared the senator's travel card to the exemption information he had and noted that the 6th digit on the card was an "8," indicating direct billing to the Federal Government. Senator Jones was properly allowed to rent his vehicle tax-free.
3. Dr. Thornton Kensington, a diplomat from Great Britain, traveled to Denver on behalf of his embassy for a conference. While checking in at the registration desk upon arrival, he presented his Mission Tax

Exemption card to the clerk and requested confirmation that he would not be charged any sales or lodger's tax on either his room or on other purchases made on hotel property including food and beverages. This card, issued by the U.S. Department of State, included his name and photo on the front, along with the words "Exempt from all Sales Tax." The hotel rightfully honored his tax-exempt status and did not apply any sales or lodger's taxes to either his room bill or his purchases at the various hotel restaurants and gift shop.

RELATED TAX GUIDE TOPICS

Governmental Exemption Exemption – Burden of Proof
Lodger's Tax

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|---------------------------|---|
| * DRMC Section 53-26(1). | Exemptions - Sales to governments - Sales. |
| * DRMC Section 53-28. | Retailer responsible for payment of tax - Sales. |
| * DRMC Section 53-42. | Collection and refund of disputed tax - Sales. |
| * DRMC Section 53-43. | Refund procedures - Sales. |
| * DRMC Section 53-97(1). | Exemptions - Sales to governments - Use. |
| * DRMC Section 53-99. | Retailer responsible for payment of tax - Use. |
| * DRMC Section 53-110. | Collection and refund of disputed tax - Use. |
| * DRMC Section 53-111. | Refund procedures - Use. |
| * DRMC Section 53-172(2). | Exemptions - Sales to governments – Lodger's. |
| * DRMC Section 53-180. | Collection and refund of disputed tax – Lodger's. |
| * DRMC Section 53-181. | Refund procedures – Lodger's. |

Colorado Department of Revenue FYI Sales 63 – Sales Tax Exemptions for Government Purchases as amended
Federal Tax Administrators Bulletin B – 07/02 as amended

The complete Denver Tax Guide, the Denver Revised Municipal Code (DRMC), tax forms, and other related information and forms are available on-line at www.denvergov.org/treasury.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.