

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 Voyager or MasterCard, and will have a background picture of two cars and a flag. 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, and will have a background picture of a column in the center of the card, without a flag. 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, and will have a background picture of a large jet on the ground in front of the U.S. Capitol. 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, and will have a background picture of a blue sky with clouds, U.S. Capitol, and a flag. These cards follow the same rules as Travel Cards with one exception: If the 6th digit in the account number is a 6, purchases for office supplies and tangible goods are direct billed, so are **exempt** from Denver tax, while purchases for lodging and restaurant food are billed to individuals, so are **not exempt** from Denver tax. An exception to the exception relates to the Bureau of Reclamation. All Bureau of Reclamation cards have a 6 as the 6th digit in the account number and are billed direct, so purchases made using these cards are **exempt** from Denver tax.

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)



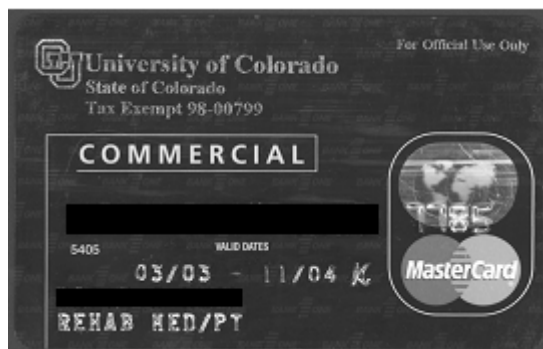
Integrated Card – may or may not be taxable
(see text)



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, use color-coding to indicate varying degrees of tax exemption. The cards bear the name and photograph of the authorized bearer, and are nontransferable. Cards with a blue band across the bottom and the words “Exempt from all Sales Tax” exempt the authorized bearer from Denver tax. Cards with a yellow, green, red, or red/green band across the bottom list all restrictions on tax exemption (i.e. “Tax Exemption not valid for: Sales under \$350; Hotels”). These cards should be examined carefully to insure that the purchase falls within the tax-exemption granted. Note – If the tax exemption card is a Mission tax exemption card (instead of a Personal tax exemption card), personal purchases are prohibited.

BURDEN OF PROOF

Vendors must maintain documentation to verify whether a transaction is exempt. Typically this would be a completed, signed copy of the “Affidavit of Sale Paid by Government Credit Card” 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 Affidavit of Sale Paid by Government Credit Card.

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.

RELATED TAX GUIDE TOPICS

Charitable, Religious, and Governmental Exemption

Exemption – Burden of Proof

Lodger’s Tax

- | | |
|---------------------------|---|
| * DRMC Section 53-26(1). | Exemptions - Sales to governments - Sales. |
| * DRMC Section 53-28(c). | 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(c). | 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.