TAXPAYER SERVICE DIVISION

FYI – For Your Information

Government Purchases Exemptions

GENERAL INFORMATION

Colorado statute exempts from state and state-collected sales tax all sales to the United States government and the State of Colorado, its departments and institutions, and its political subdivisions (county and local governments, school districts and special districts) in their governmental capacities only. [C.R.S. 39-26-114(1)(a)(I)]. Home-rule jurisdictions may have different rules regarding government tax exemptions, and should be contacted individually. A listing of home-rule city sales tax rates may be obtained from the Department of Revenue's, Web site at: *www.taxcolorado.com* and download "Colorado Sales/Use Tax Rates" (DRP 1002). This publication is updated each January and July.

(NOTE: The term "state and state-collected" sales tax, for the purpose of this FYI, refers to: state sales tax; state-collected local sales tax; state-collected county lodging tax; and state-collected special district sales tax. For further information on state-collected sales taxes, request FYI Sales 62 "Guidelines for Determining When to Collect State-Collected Local Sales Taxes.")

In order for a government entity to take advantage of the tax exemption, the purchase **must** be made with a prescribed government form or purchase order, and paid for **directly** to the seller by warrant or check drawn on governmental funds, or via credit card in the name of the exempt governmental agency. [Reg. 39-26-114.1 (a) (I)] When using a credit card, verification that the purchase is for governmental purposes and will be paid for by the governmental agency may be required. A letter on the governmental entity's letterhead is acceptable for this purpose. In cases where the seller invoices on a delayed basis for a purchase, the billing must be made directly to the governmental agency, **not** to the individual making the purchase.

Some governmental entities have a Colorado-issued tax-exemption number, although they are not required to have one (tax-exemption numbers all begin with "98"). It is not necessary for governmental entities to present a tax-exemption number in order to make a tax-exempt purchase. A purchase by a governmental agent who is making the purchase with personal funds — even if the employee presents a tax-exemption number and plans to be reimbursed — is **not** tax-exempt.

Construction contractors making purchases on behalf of governmental entities have certain exemptions from the above guidelines. For details on contractors'

Colorado Department
of Revenue
Taxpayer Service Division
1375 Sherman St.
Denver, Colorado 80261

Forms and other services:
(303) 238-FAST (3278)
Assistance:
(303) 238-SERV (7378)
Fuel Tax: (303) 205-5602
www.taxcolorado.com

exemptions, please consult the following sources: FYI Sales 6 "Contractors;" the special regulation for contractors found in the sales and use tax regulations; and C.R.S. 39-26-114(1)(a)(XIX) (The first two are available from the Department of Revenue. Copies of Colorado statutes may be obtained from the Colorado Office of Legislative Legal Services or your local library or on the state homepage at *www.state.co.us.)*

GOVERNMENT CREDIT CARDS

State government and federal government use a variety of credit cards to facilitate government purchases and travel by their employees.

State of Colorado Credit Cards

The **Procurement Card**, intended for official state business only, allows qualifying and authorized purchases of general merchandise and services to be exempt from tax.

The Procurement Card, presented to vendors by any, authorized cardholder, is recognizable by several characteristics. The Procurement Card displays the words "State of Colorado". The card also states "For Official State Use Only" and includes the agency's tax exempt number that begins with the numbers "98" followed by five digits. The bottom of the card displays the name of the authorized cardholder to whom the card is issued (authorized to purchase on behalf of the state) and the government agency or division where that cardholder works.

There is also a **State Travel Card** issued by the State. The Statewide Travel Management Program (www.colorado.gov/travel) oversees the State Travel Payment Program. There are three types of travel card products used by the State which currently are US Bank VISA products: Individual Card, Event Card and CTS Ghost Card.

The US Bank VISA Individual Card includes the employee name and displays the state seal in the upper right corner. Beneath the cardholder name will be the state agency. However, this card does not show a "98" tax-exempt number and does **not** allow for tax-exempt purchases.

The US Bank VISA Event card, primarily used for meetings, displays the employee name, the state seal in the upper right corner and reads "Tax Exempt" followed by the state agency's tax exemption number (which begins with "98" followed by five digits) allowing qualified purchases to be exempt from state tax.

The CTS Ghost Card is a "card less account" which is for airfare purchases only. The Ghost Card is not tax-exempt.

This information serves as a confirmation to vendors that purchases made on the Procurement Card and the US Bank VISA Event card should be accepted and considered exempt from state and state-collected sales tax. The billing for tax-exempt government credit card purchases is sent directly to the state agency which then makes the payment directly to the credit card company.

Local Government Credit Cards

Some local governments issue credit cards in both the government employee's and agency's name. In many instances the bill is directly paid by the local government agency in which case purchases are then tax-exempt. Local government Procurement Cards must have the city or county name on it and the words "Purchasing Card" to be considered exempt.

Some local governments also participate in the State Travel Payment Program which can be confirmed at : *www.colorado.gov/travel*, go to: "Political Subdivisions." As such, the US Bank VISA Individual Travel cards display the state seal in the upper right corner, individual's name and does not allow for tax-exempt purchases. However, the US Bank VISA Event card displays the employee name, the state seal in the upper right corner and reads "Tax Exempt" followed by the political subdivision's tax exemption number (which begins with "98" followed by five digits) allowing qualified purchases to be exempt from state tax. The CTS Ghost Card is a "card less account" used for airfare purchases only and is not tax-exempt.

It can be difficult for vendors to determine the tax-exempt status of these cards. The government agency can present a letter on government letterhead to the vendor as a way to verify that the purchase is for government purposes and will be paid by the government agency. This would help vendors determine the taxability of the transaction. Also, vendors should make a copy of the credit cards in the event a local government auditor requests to see the copy.

Any vendor with questions regarding local government credit cards should contact that particular county or municipality.

Federal Government Credit Cards

The federal government's credit card program is called "GSA SmartPay" (General Services Administration).

Nontaxable Purchases

Purchases made with cards billed directly to the government agency are **not** taxable. These cards are the **Fleet Card** (which has a picture of cars on it) and the **Purchasing Card** (which has a picture of the U.S. Capitol on it). Purchase cards issued by the Department of Commerce will list an eight-digit exemption number below the cardholders name.

Taxable Purchases

Cards that may be billed **both** directly to the agency or to individuals are the **Integrated Card** (which has the U.S. flag in the background) and the **Travel Card** (which has a picture of an airplane on it).

The **sixth** digit of these cards indicates whether the purchase should be taxed.

- If the sixth digit is 0,6,7,8 or 9, the purchase should not be taxed (billed directly to the government agency).
- If the sixth digit is 1,2,3 or 4, the purchase is taxable (billed to individual).

Refer to the chart provided at the end of this publication.

NOTE: The Department of the Interior uses a MasterCard issued by NationsBank. The card is used for **both** direct billed purchases and individual billed purchases. The bank sorts the purchases during the billing process. The account numbers begin with "5586-16." Purchases of office supplies and other goods will be directly billed to the agency (tax-exempt). Purchases for lodging and restaurant food will be individually billed (taxable). These cards have the Department of Interior federal tax exempt identification number (14-0001849) on the card.

Additionally, the Bureau of Reclamation (under the Department of the Interior) uses a card that is billed directly to the agency for **all** purchases, including hotel and restaurant charges. **Hotel and restaurant charges for this agency are tax-exempt.**

For additional information about federal government credit cards, see the "GSA SmartPay" Web site at *http://pub.fss.gsa.gov/services/gsa-smartpay*

DIPLOMATIC TAX EXEMPTION

Foreign diplomats and agents of foreign governments are exempt from paying state and state-collected sales tax **if** they present special sales tax exemption cards. These cards, issued by the U.S. Department of State, are color coded. The color coding represents varying degrees of tax exemption. The cards bear the name and photograph of the authorized bearer, and are nontransferable. If the vendor has any questions regarding the identity of the bearer, the vendor may ask for additional forms of identification, such as a diplomatic ID, drivers license, etc. There are two types of diplomatic tax exemption cards:

1) Individual Cards

Cards with a **blue** band across the bottom exempt the bearer from **all** state and state-collected sales taxes, including taxes on hotel rooms. Cards with a **yellow** band list all restrictions on tax exemption. A card with a stripe other than blue should always be examined carefully.

2) Mission Cards

These tax-exemption cards are to be used for official purposes **only**, and **not** for individual, personal purchases. Mission cards, like the individual cards, carry the name and photograph of the authorized bearer, are nontransferable, are issued with the same blue and yellow bands across the bottom. Expiration dates are printed on the cards. All cards are subject to the same restrictions as the individual cards (see above). Purchases made with mission cards must be paid by mission check or mission credit card.

Questions regarding these diplomatic tax-exemption cards may be directed to:

Office of Foreign Missions
U.S. Department of State
10920 Wilshire Boulevard, Suite 1820
Los Angeles, CA 90024
(310) 235-6292

WHEN IN DOUBT, COLLECT THE TAX

If a vendor and a purchaser disagree on the application of a tax, the vendor must collect the tax. [C.R.S. 39-26-102(22)]. The vendor should give the purchaser a receipt for the purchase showing how much sales tax was collected. Advise the purchaser to file a Form DR 0137 "Claim For Refund" which is available from the Department of Revenue. The vendor is ultimately responsible for the collection of sales taxes.

AUTOMATED BUSINESS INFORMATION

The department also provides automated sales tax information for and about businesses at *www.taxview.state.co.us* This system includes:

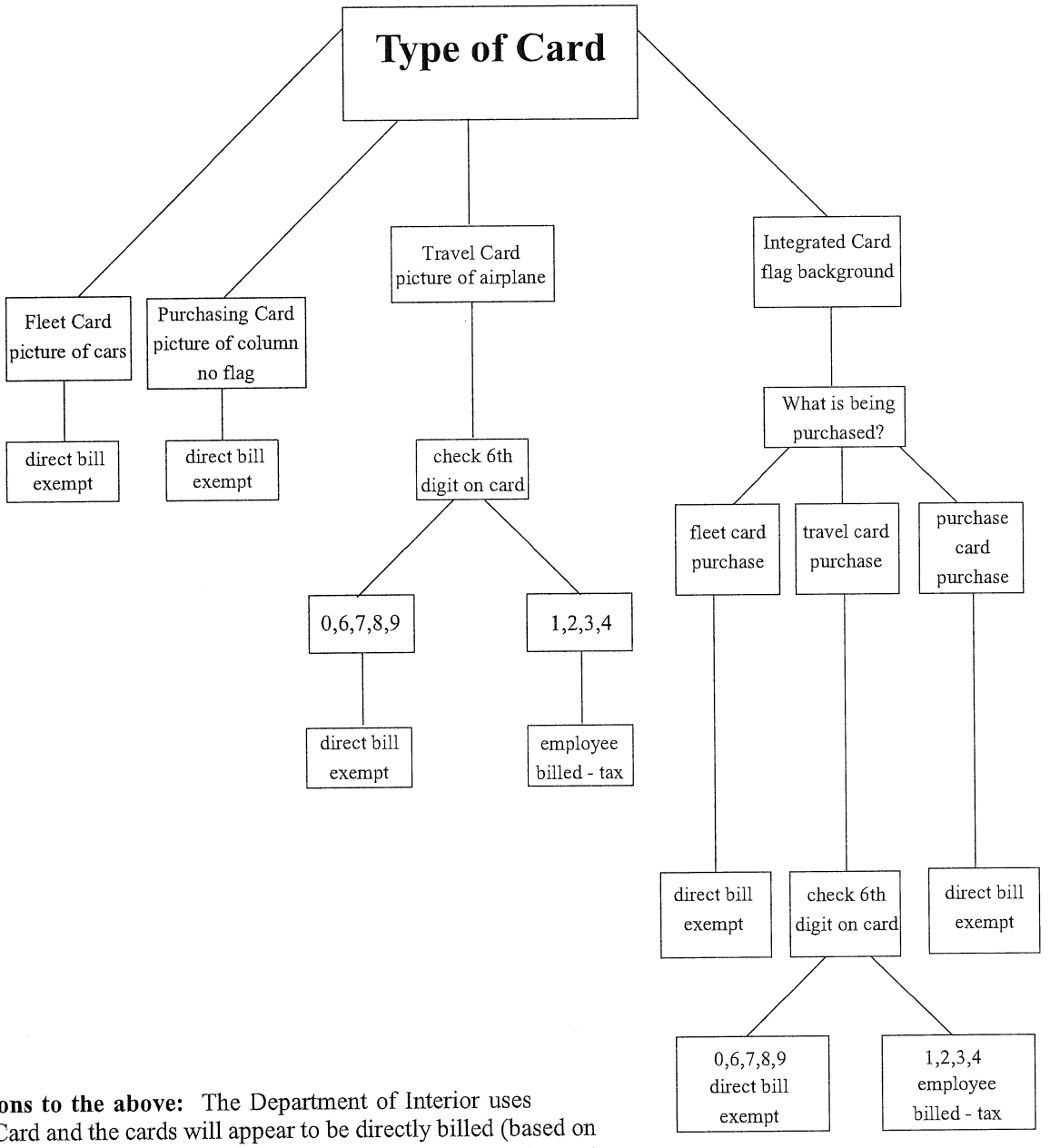
- Colorado Sales Tax Rates - finds specific city, county and special district rates.
- Verification of Sales Tax License - Exemption Numbers - determines whether a Colorado sales tax license or exemption certificate is valid.
- Tax Rates by Account Number - finds sales tax rates and locations for specific sales tax accounts.

FURTHER INFORMATION

FYIs and commonly used forms are available on the Web at: *www.taxcolorado.com*

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulation. The Executive Director, who by statute is the only person having authority to bind the Department, has not formally reviewed and/or approved these FYIs.

Federal Government "GSA SmartPay" Card Program



Exceptions to the above: The Department of Interior uses Master Card and the cards will appear to be directly billed (based on the 6th digit). However, they are directly billed for only purchasing and fleet card purchases; the employees are billed for travel purchases. Another exception is the Bureau of Reclamation, which is part of the Department of Interior. All Bureau of Reclamation purchases are directly billed, including travel.

When presented with an integrated card from the Department of Interior, request to see the employee's ID. If the employee is in the Bureau of Reclamation, the purchase, including travel is exempt. If the employee is in any other bureau within the Department of Interior, travel purchases will be taxable, but purchasing and fleet purchases are exempt.