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## Federal Government Credit Card Purchases

### Department Guidelines for Federal Government Credit Card Purchases

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### GSA SmartPay 2 Program

Some federal government credit cards issued under the GSA SmartPay 2 Program may be used to make exempt purchases in accordance with the government exemption provided in [Va. Code § 58.1-609.1\(4\)](#). The billing method determines the tax status of purchases. Only those cards that are billed and paid directly by the federal government (centrally billed) can be used to make exempt purchases.

Travel purchases are often billed to an individual government employee cardholder. When individually billed, these purchases are taxable. The following addresses the application of the Virginia retail sale and use tax to the four types of credit cards issued under the SmartPay 2 Program.

- **Travel Cards:**

**Purpose:** For travel expenses related to official government travel

**Description:** Blue stripe on left with legend: For Official Government Travel Only

**Card/1<sup>st</sup> 4 #s:** Visa: 4486 & 4614 and MasterCard: 5565 & 5568

**Comment:** The sixth digit of the Travel card number determines the tax status

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Billing/Status: **Taxable – Individually billed if sixth digit: 1, 2, 3 or 4**  
Exempt – Centrally billed if sixth digit: 0, 6, 7, 8 or 9

- **Purchase Cards:**

Purpose: For government purchases of general supplies and services  
Description: Red stripe on left with legend: For Official US Government Purchases Only  
Card/1<sup>st</sup> 4 #s: Visa: 4486, 4614 & 4716 and MasterCard: 5565 & 5568  
Billing/Status: Exempt – All Purchase cards are centrally billed

- **Fleet Cards:**

Purpose: For government vehicle fuel and maintenance requirements  
Description: Green stripe on left with legend: For Official Government Fleet Use Only  
Card/1<sup>st</sup> 4 #s: Visa: 4486, 4614 & 4716, MasterCard: 5565 & 5568,  
Voyager: 8699 and Wright Express: 5565  
Billing/Status: Exempt – All Fleet cards are centrally billed

- **Integrated Cards:**

Purpose: Has characteristics of two or more SmartPay 2 card types in a single card  
Description: Tan stripe on left with legend: For Official Government Use Only  
Card/1<sup>st</sup> 4 #s: Varies by agency – Currently only used by the Department of the Interior  
Comment: Meals and incidental expenses are taxable when paid by an Integrated card  
Billing/Status: The type of purchase determines the tax status (only for Integrated cards)  
**Meals/Misc: Taxable – Meals and incidental expenses are individually billed**  
Travel: Exempt – Airline tickets, lodging, shuttles, rental cars, taxis, etc. are centrally billed  
Purchase: Exempt – Purchase card type purchases are centrally billed  
Fleet: Exempt – Fleet card type purchases are centrally billed

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## **Exemption Certificates**

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Because the taxable or exempt status of the qualifying cards can be determined by the card account numbers, it is not necessary that federal government entities provide vendors with an exemption certificate or purchase order when making exempt purchases using such credit cards.

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## **Audit Requirements**

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The department currently relies on the credit card number to determine whether a particular transaction qualifies as an exempt purchase by the federal government. In auditing vendors, the department verifies that an exempt credit card number has been used to pay for an exempt transaction. Vendors, in accepting these credit cards, must make a determination of the taxable or exempt status of the transaction based on the card account number. In order to document an exempt transaction, vendors must retain in their records a copy of the sales invoice, receipt, or on-line transaction log that includes the credit card number (or photo copy of the exempt credit card).

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## **"4700" PIN Number**

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For vendors who have "Point of Sale" terminals that require a 4 digit code for use with the qualifying credit cards, the use of the "4700" PIN number is acceptable. Be advised that regardless of whether or not the "4700" PIN number is used, the department will continue to rely on the credit card account number to determine whether a particular transaction qualifies for exemption. Vendors should maintain the appropriate documentation for exempt transactions as discussed above.

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## **Additional Information**

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The full text of [P.D. 03-94](#) that sets forth this policy is found in the Tax Policy Library at this website. (The GSA SmartPay 2 Program became effective on November 30, 2008. In most instances, the handling of sales tax transactions under SmartPay 2 remains the same as under SmartPay.)

Additional information about the GSA SmartPay Program can be found at <http://www.gsa.gov/smartpay>