

Sales Tax Exemption for Governmental Entities and Governmental Employees

This fact sheet is designed to explain how sales and use tax applies to purchases made by governmental entities and their employees.

Sales and Use Tax Exemption for Governmental Entities

Sales of property, labor, services or products are exempt from Mississippi sales tax when sold to the United States government, the State of Mississippi and its departments, institutions, counties and municipalities or departments or school districts of said counties and municipalities. The governmental exemption does not apply to states other than the State of Mississippi. The governmental exemption requires that goods or services are sold directly to, billed directly to and paid for directly by the exempt governmental entity.

Record Keeping

Adequate records must be maintained for purposes of verifying that the governmental sales or use tax exemption is valid. These records must be maintained for a period of a least thirty-six (36) months.

Sales Made to Government Employees

Sales to government employees are considered exempt sales the government when payment comes directly from the government by government check, a centrally billed debit or credit card or other form of payment coming directly from the exempt governmental entity. Sales to government employees who pay for the goods or services are subject to Mississippi sales or use tax even though the employee may be reimbursed by an exempt governmental entity.

Centrally Billed Debit and Credit Cards

Businesses must verify that purchases are made with a centrally billed debit or credit card. Centrally billed means that the governmental entity is billed directly for any purchases made with the card. Individually billed means that the person named on the card is billed for any purchases made with the card, and the person named on the card may be reimbursed by the governmental employer for approved purchases. There are two (2) ways to verify that a card is centrally billed:

1. The card is a GSA SmartPay 2 Card issued through the Governmental Services Administration, and the number sequence on the card verifies that the card is in fact centrally billed.
2. A letter signed by the administration of the exempt governmental entity will serve to verify that cards issued by or through institutions other than the Governmental Services Administration are centrally billed. The letter must identify the card by listing the last four (4) digits of the card number and must clearly state that the card is billed directly to the exempt governmental entity.

GSA SmartPay 2 Cards

There are four (4) types of GSA SmartPay 2 Cards:

1. Travel Cards - Individually Billed (Taxable) and Centrally Billed (Exempt)
2. Integrated Cards - Individually Billed (Taxable) and Centrally Billed (Exempt)
3. Purchase Cards - Centrally Billed (Exempt)
4. Fleet Cards - Centrally Billed (Exempt)

All Purchase Cards and Fleet Cards are centrally billed, and purchases made with these cards are exempt from sales and use tax.



Use these examples to identify Purchase Cards and Fleet Cards:

Purchase Card Design



Fleet Card Design



Travel Cards and Integrated Cards are either individually billed or centrally billed. Purchases made with centrally billed cards are exempt, and purchases made with individually billed cards are taxable. Use the following information to determine whether Travel Cards and Integrated Cards are centrally billed (exempt) or individually billed (taxable).

| Prefix (1st four digits) | Sixth Digit | Platform | Issuing Bank | Billing Type |
|--------------------------|---------------|------------|--|-------------------------------|
| 4486 & 4614 & 4716 | 0, 6, 7, 8, 9 | Visa | Citybank JP Morgan Chase US Bank | Centrally Billed (Exempt) |
| 4486 & 4614 | 1, 2, 3, 4 | Visa | Citybank JP Morgan Chase US Bank | Individually Billed (Taxable) |
| 5565 & 5568 | 0, 6, 7, 8, 9 | MasterCard | Citybank JP Morgan Chase US Bank | Centrally Billed (Exempt) |
| 5565 & 5568 | 1, 2, 3, 4 | MasterCard | Citybank JP Morgan Chase US Bank | Individually Billed (Taxable) |

Notice that the 6th digit of the card number determines whether one of these cards is centrally billed or individually billed. Travel Cards and Integrated Cards with a sixth (6th) digit of either 0, 6, 7, 8 or 9 are centrally billed (exempt). Travel Cards and Integrated Cards with a sixth (6th) digit of either 1, 2, 3 or 4 are individually billed (taxable).

These are examples of the Travel Cards and Integrated Cards:

Travel Card Design



Integrated Card Design



Note: The Government Services Administration will transition to SmartPay 3 on November 29, 2018, and there will be new card designs.