

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 (Exempt from Sales Tax)

There are currently two different card payment programs used by the federal government; the GSA SmartPay 2 program and the GSA SmartPay 3. The GSA SmartPay 3 Program began November 30, 2018. 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 or **GSA SmartPay 3** 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 GSA SmartPay 2 Purchase Cards and Fleet Cards:

Purchase Card Design (Exempt)



Fleet Card Design (Exempt)



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 GSA SmartPay 2 Travel Cards and Integrated Cards:

Travel Card Design



Integrated Card Design



GSA SmartPay 3 Cards

There are five (5) types of GSA SmartPay 3 Cards:

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

Tax Advantage Travel Cards, 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 Tax Advantage Travel cards are centrally billed (exempt) or individually billed (taxable).

Sixth Digit of the Card Number	Billing Type
1, 2, 3, 4	Individually Billed (Taxable)
5	Centrally Billed (Exempt For Lodging and Rental Cars) (Taxable for other purchases)
0, 6, 7, 8 or 9	Centrally Billed (Exempt)

Notice: The 6th digit of the card number determines whether one of these cards is centrally billed or individually billed. Tax Advantage Travel Cards with a sixth (6th) digit of either **0, 6, 7, 8 or 9** are centrally billed (exempt). Tax Advantage Travel Cards with a sixth (6th) digit of **5** are centrally billed and exempt on charges for lodging or for rental cars, but charges for other travel-related purchases such as meals and incidentals are individually billed and are taxable. Cards where the 6th digit is **1, 2, 3 or 4** are individually billed (taxable).

Use these examples to identify GSA SmartPay 3 Tax Advantage Travel Cards, Travel Cards, and Integrated Cards:

Tax Advantage Travel Card Design



Travel Card Design



Integrated Card Design



GSA SmartPay 3 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 GSA SmartPay 3 Purchase Cards and Fleet Cards:

Purchase Card Design (Exempt)



Fleet Card Design (Exempt)

