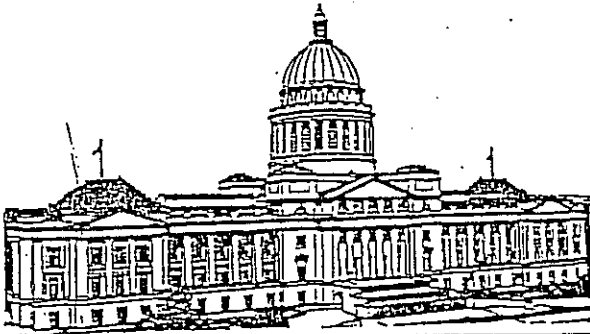


ARKANSAS REGISTER

Transmittal Sheet



Sharon Priest
Secretary of State
State Capitol Rm. 01
Little Rock, Arkansas 72201-1094

For Office Use Only: Effective Date 7/31/99 Code Number 006.05.99001

Name of Agency Department of Finance & Administration

Department Revenue Division

Contact Person Don Zern Phone 682-7751

Statutory Authority for Promulgating Rules Ark. Code Ann. 28-18-301

	Date
Intended Effective Date	Legal Notice Published <u>6/10 - 6/16</u>
<input type="checkbox"/> Emergency	Final Date for Public Comment <u>7/20/99</u>
<input checked="" type="checkbox"/> 10 Days After Filing	Filed With Legislative Council <u>6/9/99</u>
<input type="checkbox"/> Other	Reviewed by Legislative Council <u>Yes</u>
	Adopted by State Agency <u>7/21/99</u>

CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted
In Compliance with Act 434 of 1967 As Amended.

Don Zern
Signature

682-7751
Phone Number

Taxpayer Information Officer
Title

July 21, 1999
Date

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GROSS RECEIPTS TAX REGULATION GR-28.1
EXEMPTIONS FROM TAX
FEDERAL CREDIT CARD PURCHASES

Pursuant to his authority under Ark. Code Ann. § § 26-18-301 and 26-19-108, the Director of the Arkansas Finance and Administration promulgates the following regulation. This regulation is to be read in conjunction with the previous regulations and laws of the Department and this State.

This regulation is promulgated to clarify that as of November 30, 1998, the federal government substantially changed its credit card program. The I.M.P.A.C. purchase cards, the American Express/Discover travel cards, and the Wright Express fleet cards are no longer in use. Instead, the General Services Administration (GSA) has entered into a series of contracts with a variety of card-issuing banks under a new program named GSA SmartPay. The GSA SmartPay program will be in effect for five to ten years.

The majority of these new cards will be direct-billed to the federal government and will thus represent tax-exempt purchases for sales and tourism tax purposes. However, there will be both a Visa and a MasterCard that will be billed to the federal employee (for later reimbursement). Purchases with these credit cards will continue to be subject to sales tax.

The Arkansas Gross Receipts Tax Regulations are hereby amended to add a new provision to read as follows:

GR 28.1 EXEMPTIONS FROM TAX – FEDERAL CREDIT CARD PURCHASES

- A. Sales tax is not due on credit card purchases which are direct-billed to and paid for by the federal government. Sales tax is due on credit card transactions where the purchases are billed to and paid for by federal employees, who are then reimbursed by the federal government. The following information is designed to assist you in determining whether or not tax applies to transactions paid for with GSA SmartPay cards.
- B. Cards which are always direct-billed to the federal government and are therefore exempt from sales or lodgings taxes begin with digits 8699 or 5568.
- C. Prefixes 4486, 4716, and 5568 are issued on cards which are both direct-billed and individually billed. To know the difference you must look at the sixth digit.
- D. If the sixth digit is 0, 6, 7, 8, or 9; the card is direct-billed and the transactions are tax-exempt. If the sixth digit is 1, 2, 3, or 4; the card is billed to the individual federal employee and the transactions are subject to tax. State sales and tourism taxes apply only against transactions made with federal Visa or MasterCard credit cards which begin with the prefix 4486, 4716, or 5568 and have the sixth digit as either 1, 2, 3, or 4.

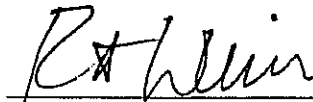
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E. The following are two exceptions to the above statements:

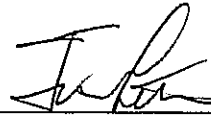
1. The Department of Interior will use an integrated MasterCard issued by NationsBank. The same card will be used for both direct-billed and individually-billed purchases. The bank will sort the purchases during the billing process depending on the merchant's code. Purchases for office supplies and other procurements will be direct-billed to the federal government and, therefore, tax-exempt. Purchases for lodgings and restaurant food will be individually-billed to the federal employee and, therefore, taxable. These cards will have the agency's federal tax exempt identification number (14-0001849) on the face of the card. The account numbers will begin "5568-16." Although it would appear that this number means the card is direct-billed to the federal government and all transactions would be tax-exempt; in fact, lodgings and restaurant charges will be individually billed to the federal employee and the transaction will be taxable.

2. The cards issued to the Bureau of Reclamation will be direct-billed for all purchases, including lodgings and restaurant charges. Accordingly, cashiers will have to recognize the Interior Department's federal tax exempt identification number to realize that purchases for lodgings and restaurant food are taxable (nothing on the card will tell the cashier that the card holder is with the Bureau of Reclamation, whose lodgings and restaurant charges are tax-exempt.) This system is expected to be in place for approximately one year at which time all purchases on this integrated card will be direct-billed and tax-exempt.

In witness whereof, we have hereunto set our hands this 1st day of JUNE, 1999.



RICHARD A. WEISS
Director
Department of Finance
and Administration



TIM LEATHERS
Deputy Director/Commissioner of Revenues
Department of Finance
and Administration

DEPARTMENT: Department of Finance and Administration
DIVISION: Revenue Division:
PERSON COMPLETING
THIS STATEMENT: Ed Hicks, Excise Tax Administrator
TELEPHONE NO.: (501) 682-7200
FAX NO.: (501) 682-7900

FINANCIAL IMPACT STATEMENT

To comply with Act 884 of 1995, please complete the following Financial Impact Statement and file with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE: **Gross Receipts Regulation -- GR 28.1. (Federal Credit Card Purchases).**

1. Does this proposed, amended, or repealed rule or regulation have a financial impact?
Yes: No: **XX**
2. If you believe that the development of a financial impact statement is so speculative as to be cost prohibited, please explain.
3. If the purpose of this rule or regulation is to implement a federal rule or regulation, please give the incremental cost for implementing the regulation. **Does Not Apply.**

1998-1999 Fiscal Year

General Revenue: _____
Federal Funds: _____
Cash Funds: _____
Special Revenue: _____
Other: _____
Total: _____

None

1999-2000 Fiscal Year

General Revenue: _____
Federal Funds: _____
Cash Funds: _____
Special Revenue: _____
Other: _____
Total: _____

None

4. What is the total estimated cost by fiscal year to any party subject to the, proposed, amended, or repealed rule or regulation? **None.**

1998-1999 Fiscal Year

None

1999-2000 Fiscal Year

None

5. What is the total estimated cost by fiscal year to the agency to implement this regulation?

1998-1999 Fiscal Year

No additional cost

1999-2000 Fiscal Year

No additional cost

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