

Virginia Tax Administrative Code

Code Section: 23VAC10-210-690
Tax Type: Retail Sales and Use Tax
Brief Description: Governments; sales to
Topics: Basis of Tax

23 VAC 10-210-690 Governments; sales to.

A. Generally. Sales to the United States, or to the Commonwealth of Virginia or its political subdivisions, are exempt from the tax if the purchases are pursuant to required official purchase orders to be paid out of public funds. Sales made without the required purchase orders and not paid for out of public funds are taxable. **Sales to governmental employees for their own consumption or use in carrying out official government business are taxable.**

B. Meals, lodging and other accommodations. Charges for meals, catered events, lodging, and other accommodations, such as meeting or conference rooms, are subject to the tax when paid for by the state or local government or public institutions of learning, or employees of such, regardless of whether the purchases are made pursuant to required official purchase orders. Room setup charges in connection with the rental of rooms or conference rooms are also taxable. Setup charges not in connection with room rentals are not subject to the tax.

Purchases of meals, lodging, and other accommodations, by the federal government or its employees traveling on government business are exempt from the tax provided payment for the meals, lodging, or other accommodations is made directly by the federal government pursuant to an official purchase order (e.g., by direct billing to government or use of government credit card). Only credit card purchases for which the credit of the federal government is bound and billings are sent directly to and paid by the government, are exempt from the tax. For example, I.M.P.A.C. cards which have been identified as a United States government credit card and which can be used only for making purchases for official government purposes may be used to make exempt purchases, provided the credit card bill will be paid directly by the federal government.

If an employee pays for meals and lodgings with personal funds, a personal credit card or a credit card provided by the government, the bill for which is sent directly to the employee, and will be reimbursed by the government or utilizes a travel advance, no exemption is available even though the employee may be traveling pursuant to official government orders or the credit card used has the governmental agency's name embossed thereon.

C. Federal credit unions. Sales to federally chartered credit unions are exempt from the tax (12 USC 1768).

D. Privately owned financial and other similar corporations chartered by the United States. Privately owned financial and similar corporations chartered by the United States, such as commercial banks and federal savings banks, are not instrumentalities of the United States and do not qualify for an exemption. Thus, sales and leases to these corporations are subject to the tax.

Statutory Authority: §§ 58.1-203 and 58.1-609.1(4) of the *Code of Virginia*.

Historical Notes: Derived from VR 630-10-45 §§ 1.1-1.4; revised January 1, 1979; August 1, 1982; January 1, 1985; amended, eff. July 1, 1994.

Cross references: Applicability of tax as to sale of tangible personal property to nonprofit schools or colleges, 23 VAC 10-210-4020.

Further clarification was provided in a letter from the Virginia Tax Commissioner. Excerpts of the letter are below:

The department's current policy exempts credit card charges which are billed directly to and paid by the Federal Government. **If an employee of the Federal Government is billed and pays for the charges and is then reimbursed by the Federal Government the charges are taxable.** This policy is addressed in Title 23 of the Virginia Tax Administrative Code 10-210-690.

Purchases made with some Federal Government travel cards and integrated cards are billed to individuals and subject to tax. Visa and Mastercard charge cards are issued for the use as travel and integrated cards. **The individually billed cards can be identified by the sixth digit in the card's number. If the sixth digit in the card's number in "1," "2," "3," or "4," the purchase is billed to the individual and is taxable. If the sixth digit in the card's number in "0," "6," "7," "8," or "9," the purchase is billed directly to the Federal government and is exempt.**