

This brochure is intended to help government agencies understand the sales tax laws that apply to their purchases and sales. This information is based on the sales tax laws and rules in effect on July 1, 2002.

WHO QUALIFIES FOR A TAX-EXEMPT GOVERNMENT PURCHASE?

Most government entities and political subdivisions are exempt from sales or use tax. They include:

- Any federal government agency
- The State of Idaho, its agencies and departments
- Any Idaho city, county, township, school district, irrigation district, cemetery district, local improvement district, fire protection district or other taxing district

HOW CAN I TELL IF MY AGENCY IS EXEMPT FROM TAX?

Exempt political subdivisions usually have the power to levy taxes. Private and nonprivate agencies that use state or federal funds are *not* exempt. Neither are the political subdivisions of a state *other than Idaho*.

If you need to know your agency's status, contact any State Tax Commission office.

HOW DOES AN IDAHO CITY, COUNTY OR STATE AGENCY MAKE A TAX-EXEMPT PURCHASE?

Idaho state government agencies and political subdivisions can make tax-exempt purchases in two ways:

- 1) Credit purchases can be made by giving a completed form ST-101, Sales Tax Resale or Exemption Certificate, to the vendor. Once this form is on file with the vendor, it is valid for all future exempt purchases.
- 2) Cash purchases can be made by completing a form ST-104G at the time of purchase and giving it to the vendor for his records.

Many state government agencies are making tax-exempt purchases with a state purchasing credit card.

These Wells Fargo Bank MasterCards® have the name of the state agency and, in most cases, the name of the state employee using the card imprinted on the bottom.



The card reads: "State of Idaho—Tax Exempt, Purchasing Card." Charges to the card are directly billed to the government agency and paid for by the agency.

To document the exempt purchase the vendor must keep a photocopy of the card, or the cardholder must complete form ST-101.

HOW DOES A FEDERAL AGENCY MAKE A TAX-EXEMPT PURCHASE?

A federal agency may claim an exemption in the following ways:

- 1) Giving the vendor an official purchase order issued by the agency; or
- 2) Paying for the goods with most U.S. Government SmartPay cards; or
- 3) For cash purchases, completing a form ST-104G, Sales Tax Exemption Certificate for Cash Purchases by Governmental Entities; or
- 4) For credit purchases, giving the vendor a completed ST-101, Sales Tax Resale or Exemption Certificate. Once this form is on file with a vendor, it is valid for all future exempt purchases.

Forms ST-101 and ST-104G are available from any Tax Commission office, or from our Web site at www2.state.id.us/tax/forms.html.

WHICH U.S. GOVERNMENT CREDIT CARDS CAN BE USED TO BUY TAX EXEMPT?

Federal agencies are using a series of SmartPay cards which may be either Visa® or MasterCard®. Each card has the words "United States of America" at the top and "GSA SmartPay" in the top right corner. The name of the using employee is imprinted on the bottom left.

FLEET CARDS

Fleet Cards are used to buy goods (such as gas, oil, parts and repair services) for the agency's fleet of vehicles. All purchases with Fleet Cards are billed directly to the agency and are exempt from Idaho sales tax.

The vendor documents the exempt sale by keeping a photocopy of the card, or documenting the information from the card on the sales receipt.



PURCHASING CARDS

Purchasing Cards are used by federal agencies to buy operating goods. Like the Fleet Card, all purchases made with the Purchasing Cards are billed directly to the agency and are exempt from Idaho sales tax.

The vendor documents the exempt sale in the same way as the Fleet Card.

TRAVEL CARDS

Travel Cards are used by U.S. government employees for official travel expenses. Unlike the Fleet and Purchasing Cards, purchases with these cards may or may not be tax exempt. If the sixth digit of the card number is a 1, 2, 3 or 4, the purchase is billed to the employee and the sale is taxable.

If the sixth digit of the card is 6, 7, 8, 9 or 0, the purchase is billed to the government agency, and the sale is exempt from sales tax.

If the seller is an innkeeper, he documents the exempt sale of lodging by having the government employee complete form ST-104HM, Sales Tax Exemption for Lodging Accommodations. Other sellers may keep information from the card, or use any method that clearly establishes that the Travel Card used qualifies the purchaser for an exemption from the sales tax.

CAN A TRAVELING GOVERNMENT EMPLOYEE MAKE TAX-EXEMPT PURCHASES?

When a government employee is traveling on business, room and meal charges are taxable unless they are *directly billed to*, and *directly paid by*, the government agency (paid by government check, an Idaho State Purchasing Card, or a federal Travel Card with an account number with a sixth digit of 6, 7, 8, 9 or 0. Employees cannot get an exemption from tax when they pay with cash, personal check or credit cards for which they are responsible (such as a Diner's Club card or a federal Travel Card where the sixth digit of the account number is 1, 2, 3 or 4).



DO FOREIGN DIPLOMATS QUALIFY FOR TAX-EXEMPT PURCHASES?

Diplomats from some foreign countries are granted immunity from certain state taxes by the federal government.

People with this immunity are given federal cards that outline the types of transactions that are not subject to sales tax.

A vendor should either keep a photocopy of the front and back of the card or record the person's name, mission represented, federal tax exemption number, expiration date and nature of the exemption.

WHAT ABOUT CONTRACTORS WHO WORK FOR GOVERNMENT ENTITIES?

Contractors who work for government entities do not qualify for an exemption from sales or use tax.

The law says contractors are consumers of the materials they use when they alter, repair or improve real property. They must pay sales or use tax on the cost of their materials, even when they are used on a project for a government entity. A contractor must pay tax on the value of the materials he uses, whether he buys them or they are provided by the government agency.

WHAT IF A POLITICAL SUBDIVISION MAKES RETAIL SALES?

Federal government agencies cannot be required to collect a state sales tax.

However, state, county and city agencies and departments *are* required to collect sales tax. If a state or local agency makes retail sales, a seller's permit must be obtained and sales tax must be collected on any taxable sales. See Brochure #4—Retailers for more information.

WHAT KINDS OF TAXABLE SALES MIGHT A STATE, CITY OR COUNTY MAKE?

Some **examples** of taxable sales are:

- Sales of tangible personal property
 - Gravel, equipment, surplus property, signs
 - Maps, books, forms, reports, photocopies, and other documents (unless the fee for the document is set by law)

- Library cards
- Equipment rentals, such as sprayers and the container rental portion of trash pick-up service
- Items sold to prison inmates
- Admission charges (swimming pools, concerts, zoos, etc.)
- Fees to use recreation facilities (parks, gyms, etc.)
- Recreation program fees (baseball, football, basketball, etc.)

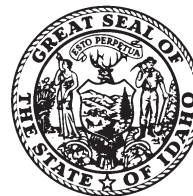
If instruction is included as part of a recreation fee, the instruction portion of the fee is exempt from tax if it is listed separately on the fee statement.

FOR MORE INFORMATION, READ:

Brochure #4	Retailers
Brochure #51	Schools
Rule 12	Contractors Improving Real Property
Rule 94	Exemptions on Purchases by Political Subdivisions, Sales by the State of Idaho, its Departments, Institutions, and All Other Political Subdivisions
Rule 98	Foreign Diplomats
Rule 128	Certificates for Resale & Other Exemption Claims

This brochure was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Idaho State Tax Commission or a qualified tax practitioner.

Costs associated with this publication are available from the Idaho State Tax Commission in accordance with section 60-202 Idaho Code.



Revised 6/02



An Educational Guide to Sales Tax in the State of Idaho