



# Wisconsin Grocers Association - Position Paper

## Swipe Fees/Credit Card Fees

2023-2024 Legislative Session

**POSITION:** **FRIEND OF GROCERS KEY VOTE!** Wisconsin Grocers Association (WGA) is seeking support for legislation that would hold retailers harmless for credit card transaction fees applied to excise and sales taxes by prohibiting interchange fees on taxes collected and provide an increase in the retailer's discount from taxes due.

**SUMMARY:** *Retailers pay swipe fees on all credit card transactions, which includes not only the sales portion of the transaction but also the taxes charged on sales.* The legislative concept would first prohibit a "swipe fee" from being imposed against a merchant on the tax portion of a transaction when a purchase is made from the merchant using a credit card. It would also prohibit a "swipe fee" from being imposed on the portion of any transaction that is a fee imposed by a city, village, town, or county. Any person that violates this prohibition may be required to forfeit not more than \$200 for each violation.

The second component would increase the amount paid to retailers for administration of sales and excise tax. In Wisconsin, Retailers collect excise and sales taxes from the public on behalf of the State. They are provided a "retailer's allowance" of .5% of the taxes they collect (capped at \$1000 per filing period) as compensation for the costs they incur in collecting the tax. Labor costs, utility costs, and other business costs all go into the total overall costs, however the most egregious cost incurred to collect sales tax relates to credit card swipe fees. Credit card swipe fees are charged on the total amount, including tax, not just the sale itself. They range from 1.35% to 4% per transaction, with the U.S. average at 2%. Retailers are paying substantially more on the interchange fee for the sales tax than the retailer's discount provides.

**IMPACT ON GROCERS/CONSUMERS:**

Swipe fees are most retailers' highest operating cost after labor, increasing prices by an estimated \$900 a year for the average household and hurting retail sales because consumers buy less when prices go up. Swipe fees have grown from about \$20 billion a year when the National Retail Federation began tracking them in 2001 to \$137.8 billion in 2021, according to the Nilson Report.

Retailers must play "Guess the Margin" on credit card transactions from one customer to the next. One of the problems with interchange fees is that the rates vary depending on the type of card used in the transaction, making it very difficult for businesses to know what they'll end up paying at the point of sale. Debit cards have cheaper interchange fees than credit cards. Rewards cards have the most expensive fees.

Retailers must pay the financial institution a percentage of all the sales taxes it collects for the State of Wisconsin. Even though the financial institution takes a percentage of the taxes collected on the sale, the state still receives 100 percent of the taxes due. The retailer is forced to make up the difference.

**In 2023:** Swipe fees that banks charge merchants to process credit and debit card transactions could potentially cost consumers more than [\\$500 million in higher prices](#) for everything from cards and candy to roses and rings this Valentine's Day, according to the Merchants Payments Coalition (MPC).

Consumers are expected to spend an average of [\\$193 on Valentine's Day items](#) such as candy, flowers, jewelry, greeting cards, clothing and evenings out this year for a total of \$25.9 billion, according to the National Retail Federation. Based on the average 2.22% rate for Visa and Mastercard, that total would include \$4.28 in swipe fees and would add up to \$575 million nationwide if all purchases were made with credit cards.

**Q:** Where do banks/processors make money on credit cards? **A:** On all sides of the transaction.

- **Interest**
- **Annual fees (Cash advance fees. Balance transfer fees. Late fees.)**
- **Interchange Fees**
- **Processing Fees (chargeback, setup, monthly basis, early termination, etc.)**

**BACKGROUND:** Swipe fees include interchange fees that are paid directly to the bank that issued the customer's credit or debit card. Interchange fees are set by the credit card associations (Visa, Mastercard, American Express, and Discover), not the issuing bank. Other costs of transaction processing include assessment fees, which are paid to the card association, and markup, which is either paid to the processor or split between the merchant account provider and its backend processor.

**Credit Card Fee:** Interchange + Assessment + Markup (1.35% – 4% of every credit card transaction)

**Some variables in the fee:**

- Debit Versus Credit Cards
- Card-Present Versus Card-Not-Present Transactions
- Merchant Category Code
- Use Of Tokenization
- Rewards Cards
- Credit Card Brand
- Card Owner

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