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## Consumer Protection & Business Committee

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### HB 1727

**Brief Description:** Ensuring fairness and consistency for Washington state businesses by leveling the playing field on transaction fees.

**Sponsors:** Representatives Chapman, Cheney and Walen.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Permits businesses whose fees or charges are regulated by the state to charge a transaction fee for processing a credit card payment.</li></ul>
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**Hearing Date:** 2/7/23

**Staff:** Megan Mulvihill (786-7304).

**Background:**

Credit card transaction fees are charges that merchants pay to credit card companies and financial services providers to authorize and complete transactions. Transaction fees vary based on the credit card network; type of card used, such as reward credit card versus non-reward credit card; and how the card is processed, such as in person versus online. The processing fee includes the interchange fee, the assessment fee, and payment processor fee. Interchange fees are applied by credit card companies, but the fee goes to the issuing bank that manages the credit card. The rate of the interchange fee varies by credit card company, but usually includes a percentage plus an additional fixed amount. Most vary around 1 to 3 percent with a fixed rate of 10 cents per transaction. The assessment fee is paid directly to the credit card network and is a much smaller fee, typically less than a percent. Payment processor fees go to the processor who manages the logistics of processing credit card payments.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

The Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act capped debit card transaction fees for banks with over \$10 million in assets. Debit card transaction fees are capped at 21 cents plus 0.05 percent of the transaction value.

Certain businesses have the fees they can charge regulated by statute, including collection agencies, tow truck operators, and debt adjusters.

**Summary of Bill:**

Businesses whose fees or charges are regulated in Washington are allowed to charge a transaction fee for processing a credit card payment, provided that a no-cost payment option is available and it is disclosed at the same time and in the same manner as the debtor's credit card information is taken. The transaction fee cannot exceed the actual amount incurred, or 3 percent of the payment amount, whichever is less. "Credit card payment" is defined to mean any payment made by a payment card that incurs an interchange fee, regardless of the type of payment card used.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.