

SENATE BILL REPORT

SB 6825

As of February 5, 2008

Title: An act relating to assisting small business owners by capping the credit card transaction fee paid by such owners.

Brief Description: Providing a cap on credit card transaction fees paid by small business owners.

Sponsors: Senator Jacobsen.

Brief History:

Committee Activity: Financial Institutions & Insurance: 2/06/08.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Aaron Gutierrez (786-7448)

Background: Credit card fee structures are extremely varied. There is no set fee schedule or labeling. Fees vary widely based on the industry and type of transaction. For example, the fees may be different depending on whether the card is swiped or keyed, whether the sale is made in person or over the internet, and whether the merchant obtains a signature. Fees may also vary when a consumer uses a rewards card.

This structure is further complicated by the difference between credit, debit, ATM, and hybrid cards.

Despite this complexity, interchange fees are typically defined as fees retained by the issuing bank during a credit card transaction. The acquiring bank, card association, and possible third party facilitators also deduct fees, but under the strict definition are not considered interchange fees. Of these fees, interchange fees typically represent the largest deduction.

Interchange fees are often as high as 1-2 percent of the transaction amount.

Interchange fees are paid by merchants accepting credit cards, and not the consumers using credit cards. However, merchants often pass this cost through to consumers.

Summary of Bill: The Department of Financial Institutions (DFI) must negotiate on behalf of small business owners, to establish a maximum transaction fee that businesses may charge small business owners for credit card transactions.

Appropriation: None.

Fiscal Note: Not requested.

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

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.