

HOUSE BILL REPORT

HB 1530

As Reported by House Committee On:
Consumer Protection & Business

Title: An act relating to modernizing payment systems by expanding consumer-friendly transaction options for registered tow truck operators and regulated businesses.

Brief Description: Modernizing payment systems by expanding consumer-friendly transaction options for registered tow truck operators and regulated businesses.

Sponsors: Representatives Walen and McClintock.

Brief History:

Committee Activity:

Consumer Protection & Business: 2/7/25, 2/14/25 [DPS].

Brief Summary of Substitute Bill

- Permits tow truck operators to charge a transaction fee for processing a credit card payment.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Walen, Chair; McClintock, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Abbarno, Corry, Donaghy, Fosse, Kloba, Morgan, Reeves, Ryu, Santos and Steele.

Minority Report: Without recommendation. Signed by 1 member: Representative Berry.

Staff: Megan Mulvihill (786-7304).

Background:

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.

Credit and debit card transaction fees are charges that merchants pay to card companies and financial services providers to authorize and complete transactions. Transaction fees vary based on the card network, the type of card used, 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. Interchange fees are applied by credit card companies, but the fee is paid to the bank that issued the consumer's 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 5 to 25 cents per transaction.

Assessment Fees. The assessment fee is paid directly to the credit card network and is typically less than 1 percent charged by volume.

Payment Processor Fee. Payment processor fees go to the company that processes the transaction for the merchant. These fees vary and are negotiable depending on the processor.

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 Substitute Bill:

Tow truck operators 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 consumer's credit card information is taken. The transaction fee cannot exceed 3 percent of the payment amount. "Credit card payment" is defined to mean any payment made by a credit card that incurs an interchange fee, and does not include debit card payments.

Substitute Bill Compared to Original Bill:

The substitute bill allows only tow truck operators, not all regulated businesses in Washington, to charge transaction fees for credit card payments. In addition, the definition of credit card payment is modified to exclude debit card payments.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) Tow truck operators work seven days a week, 24 hours a day, and during inclement weather. Tow truck businesses are small businesses and staffed by hardworking people that face dangers and accidents regularly. It is reasonable and fair to allow tow truck operators to charge these fees to consumers just like other for-profit, nonprofit, and government entities do. Transaction fees are not optional payments, and neither are taxes, yet a person can pay their taxes with a credit card if they agree to pay a surcharge. The Department of Licensing is allowed to charge a credit card transaction fee now as well. There should be fair and consistent standards.

Tow truck operator statutes were written 40 years ago when no one was using credit cards. Credit cards are now the dominant method of payment that tow truck drivers receive. There are very few cash payments, and accepting checks is a risk because the funds cannot be verified anymore. Washington businesses should not have to fund credit card reward programs. Many other states allow credit card charges to be paid by consumers. Tow truck operators would like the same options the state has to pass these fees along. Otherwise, tow truck operators lose about 3 percent of every sale. This is lost revenue that cannot be recovered. One tow truck operator lost \$18,000 last year from transaction fees. Every dollar counts for these small businesses who need to cover wages, fuel, insurance, and more. There are consumer protections in place as the fees have to be transparent and there has to be a no-cost option available.

(Opposed) This dramatically expands the ability for regulated businesses to charge a new junk fee. It is not just about tow truck operators. The scope is far broader, and there are no meaningful limits in place. Bail bond agents, debt collectors, payday lenders, check cashing lenders, and mortgage lenders could all charge transaction fees on payments, including mortgages, medical billing, and collections. Collectors can get judgments with up to 9 percent interest for 20 years. If they can add 3 percent, it essentially increases the judgment interest rate back to 12 percent. These regulated businesses operate in areas where consumers have little choice and are already facing financial burdens. Consumers are living in debt and struggling with the rising cost of living. It can feel like there is no way out for consumers with bills piling up and collectors calling. An emergency can jeopardize families ability to pay rent and buy groceries. Adding another 3 percent fee could be prohibitively expensive. Consumers need to be protected from fees, and businesses do not need another green light to extract money from consumers.

Persons Testifying: (In support) Representative Amy Walen, prime sponsor; Peter Lukevich, Towing and Recovery Association of WA (TRAW); Emily Wade, Towing and

Recovery Association of WA (TRAW); Kris Zachary, Burns Towing; and Chester Baldwin, Towing and Recovery Association of WA (TRAW).

(Opposed) Christina Henry, Northwest Consumer Law Center; Molly Gallagher, Washington Statewide Poverty Action Network; and Julia Kellison, Northwest Justice Project.

Persons Signed In To Testify But Not Testifying: None.