

Department of Finance and Administration

Legislative Impact Statement

Bill: SB607

As Engrossed: 3/7/2013

Bill Subtitle: TO CREATE THE ELECTRONIC PAYMENT TRANSACTION PROTECTION ACT; TO PROHIBIT THE COLLECTION OF INTERCHANGE FEES ON CERTAIN TAXES AND FEES; AND TO DECLARE AN EMERGENCY.

Basic Change :

Senator J. Hutchinson

The bill as originally submitted creates the Electronic Payment Transaction Protection Act to prohibit the collection of interchange fees on certain state and local taxes and fees. The Bill as engrossed 3/7/13 contains a new subsection to the bill to clarify that the fees charged by vendors for direct tax payments to state or local governments are not subject to the limitations of this bill.

Interchange fees are defined as a fee established, charged, or received by a payment card network to compensate an issuer for its involvement in an electronic payment transaction. An electronic payment transaction is defined as occurring when a person uses a debit card, credit card or other payment code or device, issued or approved through a payment card network. Issuer means a person who issues a debit card or credit card or the agent of a person who issues a debit card or credit card. Taxes or fees to be excluded from the imposition of an interchange fee are defined as either: "A tax or fee levied by a state or local government that is calculated as a percentage of the electronic payment transaction amount and listed separately on a payment invoice or other demand for payment" or, "A tax levied under the Motor Fuel Tax Law, § 26-55-201 et seq., or the Special Motor Fuels Law, § 26-501-101 et seq."

Revenue Impact :

This bill should not have any direct revenue impact on DFA.

Taxpayer Impact :

None

Resources Required :

None.

Time Required :

The bill has an Emergency Clause, and is effective on July 1, 2013.

Procedural Changes :

This will require merchants to exclude the named taxes or taxes calculated as a part of a transaction from the imposition of Interchange Fees when the transaction is paid with a credit card.

Other Comments :

DFA allows taxes, fees, and Child Support payments due for direct DFA obligations to be paid by credit card. This is a convenience to our taxpayers, and in response to taxpayer requests to use credit cards in State Revenue Offices, and over the Internet to pay state tax, and fee obligations. The 3/7/13 engrossment adds additional language that clarifies that the fees charged by vendors for these direct tax payments to state or local governments are not subject to the limitations of this bill. DFA does not charge these fees, and there is no requirement that taxpayers pay with a credit card. The credit card

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payment option is offered as a convenience.

Legal Analysis :

SB607 as engrossed on March 7, 2013 prohibits the imposition of interchange fees (fees charged to compensate credit or debit card issuers for their involvement in a payment transaction) on: 1) taxes or fees levied by a state or local government that is calculated as a percentage of an electronic payment transaction amount and listed separately on a payment invoice or other demand for payment and 2) tax levied under the Motor Fuel Tax Law. However, the bill specifically provides that it does not affect the amount of an interchange fee established, charged, or received by payment card networks, issuers or other vendors for authorizing an electronic payment transaction to pay state and local taxes, fees, child support, costs, fines, or any other payment to state and local governments.

The bill contains an emergency clause and will apply to electronic payment transactions processed on or after July 1, 2013.