



Senate Bill 520

Consumer Protection - Credit or Debit Card Surcharges - Limitation

February 14, 2024

POSITION: Oppose

Madame Chair and Members of the Senate Finance Committee:

The Restaurant Association of Maryland opposes Senate Bill 520 because the proposed surcharge limitation is not practicable as drafted. In addition to retail businesses specified in the bill, we believe this legislation also applies to restaurants, which are engaged in the retail sale of prepared food and beverages to end consumers.

Businesses that opt to impose credit card surcharges generally determine the surcharge percentage based on card brand rules and limitations. It cannot be done based on the processing fee for each specific card presented by the customer for reasons explained below.

Card swipe fees have become a significant expense for businesses in recent years as more customers shift away from using cash. Card swipe fees in the United States have more than doubled over the past decade, according to data from [Nilson Report](#). For these reasons, many businesses have imposed credit card surcharges to help cover rising credit card processing costs. Businesses that opt to impose such surcharges do so to avoid adding this cost to product pricing because higher prices can result in reduced sales overall.

A lack of competition in the credit card network routing market, which is dominated by two credit card networks (Visa and MasterCard), has contributed to rising card swipe fees. For this reason, [the Credit Card Competition Act](#) has been introduced in Congress to enhance competition in the credit card network routing market and drive down swipe fees that businesses pay.

We sought feedback on SB 520 from a credit card processor and learned that there are many complicated factors that determine card processing fees paid by businesses. This includes countless and constantly changing bank interchange fees as well as fees charged by credit card processors. Bank interchange fees are a major driver of payment card processing fees that businesses pay.

These fees vary by card brand (Visa, MasterCard, Amex, Discover), type of card (rewards, cash back, travel, business card, international, gold, silver, platinum, etc.), type of business where the card is used (retail store, restaurant, caterer, mail order/internet, etc.), transaction amount, transaction method, numerous pricing tiers, etc. And card swipe fees can also change by day.

(more)

There are card brand rules and surcharge limitations that businesses have to abide by if they choose to impose surcharges. And surcharges can be imposed only for credit cards (not for debit cards or pre-paid cards). In general, a surcharge cannot exceed 4 percent.

For all the reasons explained above, we oppose SB 520 and request an unfavorable report.

Sincerely,

A handwritten signature in black ink that reads "Melvin R. Thompson". The signature is written in a cursive style and is followed by a long, horizontal, slightly curved flourish line.

Melvin R. Thompson
Senior Vice President