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January 17, 2025

The Honorable C.T. Wilson  
Chair  
House Economic Matters Committee  
Maryland House of Delegates  
Taylor House Office Building, Room 231  
6 Bladen Street, Annapolis, MD 21401

*RE: HB 29 (T. Morgan/Crosby) - Electronic Payment Transactions - Interchange Fees - Calculation and Use of Data - Oppose*

Dear Chair Wilson and Members of the Committee,

On behalf of TechNet, I'm writing to provide remarks on HB 29 related to interchange fees.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over 4.5 million employees and countless customers in the fields of information technology, artificial intelligence, e-commerce, the sharing and gig economies, advanced energy, transportation, cybersecurity, venture capital, and finance. TechNet has offices in Austin, Boston, Chicago, Denver, Harrisburg, Olympia, Sacramento, Silicon Valley, Tallahassee, and Washington, D.C.

TechNet promotes the banking and financial technology sectors by removing regulatory barriers to financial access and literacy, economic growth, and job creation. We support innovation in the banking and fintech sectors by encouraging state policymakers to ensure the regulatory system remains technology neutral and regulates new technologies, including digital currencies and alternative banking, using a balanced approach that encourages fair competition. We note in today's remarks that some of our members have different perspectives on interchange fees; the comments in this letter are based on concerns we've been made aware of.

The existing interchange system for credit card usage provides a safe and reliable method for conveniently transacting business. TechNet is concerned that HB 29 as drafted has the potential to disrupt the retail shopping experience in the state. HB 29 seeks to remove interchange fees from the sales tax portion of a transaction

without considering the long-term cost, inefficiencies, and frustration its implementation would create.

There are many reasons why HB 29 is impractical and costly to businesses. First, systems don't support it. When a retailer makes a sale using a customer's electronic payment card, the systems that process the transaction recognize only the final purchase amount. U.S. infrastructure does not support a system where multiple amounts (taxes) can be excluded from the interchange fee, such as local sales taxes that vary. Because these systems don't currently exist, the prohibitions required in this bill would be cost prohibitive for businesses, large and small. Businesses will need specialized terminals and software to itemize and communicate segmented data to the card networks at the time of sale. Ultimately, the costs of a new system could fall onto the consumers in Maryland.

If the bill passes, there are two options for merchants to comply. The first one would be to require consumers to pay in two transactions – one for the sale of the underlying product or service, and another for the tax portion of the sale. Customers would pay for their goods with their preferred payment method. Then the customer would pay sales tax via cash or check. Cash or check would be required as there is no unified system to implement these suggested changes. This would drastically change the consumer experience, and the amount of sales tax consumers pay every time they are out shopping will suddenly be under a microscope.

A second option is that merchants will have to send payment companies every detail of a person's shopping habits. The global payment system is designed so that payment networks need very little of a consumer's personal information to process a payment. Interchange legislation could fundamentally change that, requiring the tracking of every detail of a person's shopping habits: where people shop, exactly what they buy, how often they buy it, and how much they spend, as examples.

Today, the only information transmitted from merchants to payment companies is how a customer is paying and the total amount of the transaction. Under this mandate, to calculate and refund sales tax expenses, which differ by county, city, and item, merchants would also need to send payment companies the name of the store, the exact location of the store, and exact items purchased. This option is in direct conflict with data minimization standards, or the collection of only necessary information that is used to complete a transaction safely and accurately.

Because this mandate is not currently active in any other jurisdiction, there will be confusion and compliance difficulties for those out-of-state businesses operating in Maryland. For online transactions, compliance will be even more difficult. How would one pay with cash for the sales tax portion on an online order?

The liability suggested in this bill would severely impact our member companies. As an example, one member processes 28 thousand transactions per second. The liability, even for mistakes, would be untenable for businesses. Several bills have been introduced on this issue and none have been enacted into law due to the compliance challenges and cost, with the exception of Illinois HB 4951. As part of a last-minute budget deal, the Illinois General Assembly passed this measure as part of an omnibus proposal. The measure is currently being challenged in court. The Commonwealth of Massachusetts proposed a similar bill in 2017 and studies showed that one-time, non-recurring costs would total \$1.2 billion, and \$28 million in annual recurring costs.

HB 29 will lead to cost increases for businesses and consumers and create compliance hurdles that will be difficult to overcome. Speed and efficiency of sales are critical to merchants and consumers. Legislation that would double the time it takes at the checkout counter, given the challenges with handling cash, will only slow down businesses, add operational costs, and frustrate consumers every time they make a purchase. For the above stated reasons, TechNet is opposed to HB 29. Thank you for your consideration of our concerns and we look forward to continuing these discussions with you.

Sincerely,

*Margaret Durkin*

Margaret Durkin  
TechNet Executive Director, Pennsylvania & the Mid-Atlantic