



HB 29 - Electronic Payment Transactions - Interchange Fees - Calculation and Use of Data

Committee: House Economic Matters Committee

Date: January 21, 2025

Position: Unfavorable

The Maryland Bankers Association **STRONGLY OPPOSES** HB 29. This legislation, which prohibits the application of an interchange fee on the sales tax and gratuity portion of a transaction, upends the global payments system and will increase the costs of electronic payments for Maryland banks, businesses, and consumers.

Maryland banks take pride in the services they provide to their customers, including the issuance of electronic payment methods like debit and credit cards. These cards provide customers with convenience when shopping, protection that holds them harmless against fraudulent transactions, and in the case of credit cards, participation in rewards programs and other benefits. Offering these benefits allows smaller Maryland-chartered banks to remain competitive in the financial services marketplace.

Illinois is the only state in the country that has passed legislation like HB 29. This legislation has been challenged in federal court, and **a preliminary injunction issued on the case states that federally-chartered thrifts and national banks were likely to succeed in their preemption argument. If this argument holds, only Maryland-chartered banks would be impacted by HB 29.** Not only do banks not have the systems in place to separate this fee from sales tax and gratuity, but this substantial loss of revenue will force them to either reconsider offering some of the benefits they currently provide or increase the cost of products and services. Maryland-chartered banks already face significant pressure to remain competitive, and HB 29 will put our community banks at an even greater disadvantage.

Accordingly, MBA strongly urges the issuance of an **UNFAVORABLE** report on HB 29.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding more than \$194 billion in deposits in almost 1,200 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.