FUEL true

INDEPENDENT ENERGY & CONVENIENCE

I am Brian Posler, and I represent Fuel True Independent Energy and Convenience. We are the nonprofit statewide trade association representing the independent Kansas energy distribution companies, and we serve as the voice of over 2000 fuel retail locations throughout Kansas.

Members of the committee, thank you for the opportunity to testify in support of HB 2089.

Swipe fees charged on state sales taxes are an incredibly unfair burden borne by retailers and consumers in this state, and **my members need some relief**.

It's important to highlight what is happening here. Retailers are required to collect sales tax for the state. When a transaction is made with a card, not only are we paying a swipe fee for the purchase price but we are also being charged a swipe fee on the tax we are collecting. In a sense we are being charged a "tax" on a tax.

The credit card industry is charging retailers to provide a tax collection service to the state of Kansas. This ultimately drives up prices for consumers. It is time for this practice to end. Excessive swipe fees are causing serious harm to Kansas retailers. I would like to highlight some specific numbers.

Credit and debit card swipe fees have soared more than 50% since the pandemic and reached a record $172 billion nationwide in 2023. **They are most merchants' highest operating cost after labor and too much to absorb, driving up consumer prices by over $1,100 a year for the average family.**

In April 2022, Visa and Mastercard **increased swipe fees again** by $1.2 billion despite calls from a bipartisan group of U.S. senators not to do so. The senators argued that the increase would worsen already severe inflationary pressures, as swipe fees increase with inflation. We are in a situation where the nation's biggest credit card companies enjoy record profits, and Kansas consumers feel they can't even afford a dozen eggs.

Credit cards are already incredibly profitable, even without swipe fees.

Each Kansan, as December 2024, owes on average $6,818 on credit cards. Nationally, the average interest rate on credit cards today is 21.47%. That means that each Kansan on average is paying $1,464 annually in interest.

The Big Credit Card Companies had record profits in 2024. JP Morgan, after all expenses were paid, still netted over $54 Billion, which was another new record. Visa's **Net profit margin** was 51.07% in 2021, then 51.03%, 52.9%, and in 2024 it was up to **54.95%.** Convenience stores had a net profit margin last year of about **5%**, meaning that Visa makes more profit out of some stores than do the small owner/operators who do ALL of the work and take ALL of the risk. It used to not be like that, and it ought not to be.

Not paying interchange fees on sales taxes would do nothing to materially affect their bottom line, but it would **combat inflation**, and put dollars back into Kansans' pockets to stimulate our local economy. Even if this law was already in effect, the U.S., and Kansas, would still have **the highest swipe fees in the world**, by far.

The swipe fees currently levied on sales taxes are **state-sponsored, guaranteed profits** for Visa and Mastercard. Why is the state creating massive profits for the big national banks based in Delaware at the expense of Kansas merchants and consumers? It is bad enough that consumers must pay significant sales taxes on purchases. Why should they also have to pay an exorbitant surcharge on those taxes to the issuing bank?

Some will argue that these fees are optional but that is simply not true. In order to be competitive, merchants must accept credit cards. To be in business a retailer must accept a system where they are first taxed by the state, and then they are "taxed" by the big banks at rates well beyond their actual costs to process the transaction. Ultimately it is the Kansas consumer who loses.

The opponents of this bill will also argue that this would be difficult to implement, but it's also untrue. Our receipts already itemize sales taxes, so it will be simple for their sophisticated interchange systems to account for this change.

The **local banks** chartered in Kansas will not be materially affected by this bill. The big credit card banks could easily hold Kansas banks and credit unions harmless if they chose to do so, even staying at 2023's then-record profit margins. Local banks still offer debit cards, which have much lower interchange fees, so they clearly find it profitable to offer cards even with slightly lower interchange fees.

My retailers ask that you support this bill and slightly reduce the practice of Kansas subsidizing the hugely profitable multinational credit card companies. This is a small step, but an important one that will help limit the gouging that those firms do to our merchants and consumers. Strike a blow against rampant inflation, and protect Kansas consumers and merchants from the unfair practices of giant credit card corporations.