Informational Testimony Regarding House Bill 2089
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House Committee on Financial Institutions & Pensions
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Chairman and members of the committee, I am pleased to submit testimony in strong support of legislation like HB2089 on behalf of NFIB Kansas. NFIB Kansas is the leading small business organization in Kansas representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB Kansas represents the consensus views of its almost 4,000 members in Kansas.

House Bill 2089 would enact the Consumer Inflation Reduction and Tax Fairness Act. The bill would exempt the portion of a credit card transaction constituting a tax or gratuity from assessment of the fee charged by the card issuer.

Inflation is pushing small business owners and their thin margins to the brink. Unfortunately, credit card processing fees – which can cost between 1.5% and 3.5% of each transaction – exacerbate the financial strain of Main Street, making it harder for employers to expand their operations, raise wages, and keep their costs competitive. Credit card companies should not be profiting off merchants who collect Kansas' sales taxes or workers' hard-earned tips. Swipe fees have more than doubled since 2012 and the problem has been exacerbated by pervasively high inflation, which acts as a multiplier because swipe fees are a percentage of each sale

Large banks and financial institutions charge a swipe fee (*interchange fee*) from merchants and organizations to accept credit and debit card payments from their customers. Retailers and merchants are responsible for collecting and remitting sales tax for the state at their own expense. Currently, swipe fees are charged to the post-tax amount allowing credit card companies to profit off the sales tax charged to consumers. It also creates a situation where credit card companies can make a larger profit than the retailer on transactions.

Impact of Swipe Fees

- U.S. retailers now **pay around $172 billion** in annual swipe fees.
- Consumers **pay an average of $1,100 per year** in passed down costs from swipe fees.
- **Low-income consumers are disproportionally affected** and pay an average of 60 cents more per transaction.
- Swipe fees are up nearly 50% since the pandemic.

- **Kansas business owners pay over $100 million in swipe fees on sales taxes annually.**

The existing practice of including sales tax in swipe fee charges essentially serves as a double tax on Kansas businesses. Visa and Mastercard control 90% of payment processing transactions and are earning record profits from this one unfair fee. If a bill like HB2089 were to pass, it would eliminate this hidden credit card fee, protect Kansas businesses, and keep more money in the Kansas economy.

Further, the fee charged on each transaction varies based on several factors, including the card used, business type and transaction location. **It's difficult for businesses to budget for swipe fees** partly because the fee varies, but also because they cannot accurately predict the type of card consumers will use. Small businesses can't avoid swipe fees if they want to accept credit card payments. Many of our members are frustrated by their limited negotiating power.

Swipe fees are no small matter for small business and it's time to wipe the swipe on taxes and tips. HB2089 will protect small businesses and keep more resources in Kansas for Kansans. Today, millions of dollars, which could be better spent in Kansas on higher employee wages, better benefits, and business expansion, are instead being sent to out-of-state banks and major credit card companies that profit off Kansas state and local taxes. Thank you for your consideration of our comments, and we strongly urge you to consider passing legislation like HB2089 in the future.