
Testimony of Nate Cloutier

Before the Joint Standing Committee on Taxation
April 16, 2025

In Support of LD 1504, “*An Act to Support Small Businesses by Providing a Refundable Tax Credit to Certain Businesses to Offset Credit and Debit Card Transaction Fees*”

Senator Grohoski, Representative Cloutier, and distinguished members of the Joint Standing Committee on Taxation, my name is Nate Cloutier, and I am here today on behalf of HospitalityMaine, representing Maine’s restaurant and lodging industries. I am also testifying on behalf of the Maine Tourism Association (MTA). MTA has been promoting Maine and supporting members in every type of tourism business, such as lodging, restaurants, camps, campgrounds, retail, guides, tour operators, amusements, and historical and cultural attractions, for over 100 years. HospitalityMaine and the Maine Tourism Association support LD 1504, “*An Act to Support Small Businesses by Providing a Refundable Tax Credit to Certain Businesses to Offset Credit and Debit Card Transaction Fees.*”

LD 1504 would create a tax credit for businesses with less than \$2,400,000 in gross sales annually that accept credit cards or debit cards for payment and are charged a transaction fee by the issuer of that card. The amount of the tax credit is the amount of fees the business paid or 2.5% of the sales taxes remitted by that business to the state, whichever is less. The tax credit is refundable.

In most restaurants, swipe fees represent the third highest cost—trailing only food and labor. Over the last five years, these two expenses have risen on average by 30-40%¹, forcing businesses to raise menu prices just to stay afloat. Meanwhile, swipe fees themselves typically range from 2% to 4% per transaction and have more than doubled in the past decade. In 2023, they cost American businesses over \$172 billion—among the highest in the world. Compounding this challenge is the fact that

¹ *Inflation*. (n.d.). NRA. <https://restaurant.org/research-and-media/research/inflation/#:~:text=Inflation%20is%20Straining%20Restaurant%20Operations,5%25%20pre%2Dtax%20margin.>

two credit card companies control 80% of the processing market, leaving businesses with minimal to no leverage to negotiate more favorable terms.

It is also important to note that swipe fees are charged on the entire transaction amount, including sales tax and tips. It is estimated that Maine businesses pay more than \$25.5 million² in swipe fees on sales tax alone—essentially creating a “tax on a tax.” Notably, current law only exempts the State of Maine and the University of Maine system by allowing these entities to charge a surcharge to compensate for the costs associated with credit card processing fees.

We appreciate Representative Farrin’s creative solution to a challenging and costly issue for Maine’s hospitality and tourism businesses. The root of this issue is not necessarily that we are unable to recoup these funds, but more so that the fees are so high in the first place and that businesses must essentially negotiate with only two credit card companies that maintain majority control of this space.

While broader reforms are undoubtedly needed to address the market dominance of the two major credit card companies, like the Credit Card Competition Act at the federal level, we appreciate the attention this bill brings to the issue.

Thank you for your consideration. I would be happy to answer any questions.

² CMSPI Global. (2024, October 16). *How Much Interchange was Paid on Sales Tax in the U.S.?* <https://cmspi.com/how-much-interchange-was-paid-on-sales-tax-in-the-us/#:~:text=CMSPI%20estimates%20that%20U.S.%20merchants%20paid%20nearly%20%248,and%20diesel%20excise%20taxes%2C%20and%20alcohol%20excise%20taxes.>