



LD 1544 *An Act Regarding Credit and Debit Card Merchant Fees*

TESTIMONY IN OPPOSITION TO LD 1544

Senator Sanborn, Representative Tepler and distinguished members of the Health Coverage, Insurance & Financial Services Committee. My name is Kathy Keneborus, and I am a resident of Hollis. I am Vice President of Government Relations at the Maine Bankers Association, a state-wide trade association representing Maine's 28 retail banks and their 9,000 employees.

I testify today in opposition to LD 1544. The infrastructure that this bill requires does not exist, and it is uncertain if the many businesses involved in the electronic payment system – many of which are not located in Maine – would be required to accommodate the law. Similar proposals to LD 1544 have been considered in other state Legislatures in previous years. Those Legislatures have uniformly rejected similar proposals due to harm to consumers, loss of sales tax revenue, legal deficiencies, and operational hurdles.

Please remember that the consumer does not pay the interchange fee. The interchange fee is paid by the business initiating the transaction. Our customers and your constituents will be harmed by the passage of LD 1544 because it would create a state-specific bifurcated checkout process. A consumer will be required to pay via two separate transactions, one for the sale of the product or service and the other for the tax portion of the sale. A separate cash or check transaction for the tax portion of a sale will be a huge burden to consumers when paying for large ticket items, such as computers and electronics. Smaller businesses would also be harmed by passage of LD 1544 because they would have to create and implement new systems and operational mechanisms to ensure compliance with the legislation.

Retailers realize huge benefits from accepting payment cards, including more sales, less fraud, and faster payment. Some merchants express concern that accepting credit and debit cards is costly. However, according to the Electronic Payments Coalition, recent studies show that many merchants prefer electronic payment over cash payment due to the high costs of handling cash. For instance, in 2017 alone, \$96 billion was spent in the U.S. and Canada on cash-handling activities. **The average cost of cash is 9.1% per transaction across all retail segments. In contrast, credit and debit cards cost approximately only 1.0-2.5% per transaction.**

We urge you to vote ought-not-to-pass on LD 1544 to protect consumers and small businesses. Thank you for allowing me to testify regarding this bill. I will be available for the work session.

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A Long Line of Rejected Legislation

Maine LD 1544 unwisely proposes to prohibit the levying of interchange fees on any portion of a credit card or debit card sale representing any state or local taxes.

Following is a list of similar proposals that have been carefully considered in previous years in other states. Each proposal was uniformly rejected in its committee of reference due to harm to consumers, loss of sales tax revenue, legal deficiencies, and operational hurdles.

2006

Kentucky HB 592
New York AB 11193

2007

Florida SB 1724
Kansas SB 348
New York AB 1020
Washington SB 5884
Washington SB 5885

2008

Kansas HB 2862
Louisiana HB 673
Louisiana SB 516
New Jersey SB 1138
New Jersey AB 2261
Rhode Island HB 7509

2009

Connecticut HB 6311
Massachusetts HB 1025
Nebraska LB 186
North Carolina HB 1576

2010

New Jersey SB 1631

2012

Iowa HSB 666

2013

Arkansas SB 607

2014

Nebraska LB 991

2015

Arkansas HB 1775
Colorado HB15-1154

2016

Minnesota HF 302

2017

Nebraska LB 559

2018

New Jersey SB 2577

2019

New Jersey S 2577

2020

Tennessee HB 2500