



**RETAIL
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MAINE**
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April 27, 2021

Senator Heather Sanborn, Chair

Representative Denise Tepler, Chair

Members of the Health Coverage, Insurance and Financial Services Committee

RE: Testimony in SUPPORT of LD 1544, An Act Regarding Credit and Debit Card Merchant Fees

Dear Senator Sanborn, Representative Tepler and members of the HCIFS Committee:

My name is Curtis Picard and I am the President and CEO of the Retail Association of Maine. I am a resident of Topsham. We have more than 350 members statewide and represent retailers of all sizes. Maine's retailers employ more than 85,000 Mainers. I am here today to testify in support of LD 1544.

First, I want to publicly thank Representative Sachs for the hard work and research she has done on this bill. Shortly after the election, Representative Sachs reached out to us because during her campaign, she spoke with a number of retailers in her Freeport district. Time after time she heard from the businesses about the incredibly high cost of credit and debit card swipe fees, and she wanted to know what she could do to help. We weren't surprised as this is an issue we hear about frequently from our members.

So, we gave her the long history of credit and debit card swipe fees, and the various efforts at the state and federal level to try to address these issues. We've had some modest success. The Durbin Amendment that was part of the federal Dodd-Frank Financial Reform Act helped lower debit card swipe fees from approximately \$.45 per transaction to the current \$.21 per transaction. The banks and credit card companies testifying in opposition to the bill today likely won't mention their argument that Durbin was going to be the end of free checking at banks (it wasn't) or their unsuccessful effort to repeal the Durbin Amendment when President Trump took office.

At the state level, we've tried addressing this issue by advocating for surcharging. In fact, we talked about going that route again this year, but we chose this avenue instead as we felt this

was a new approach that a number of states are taking a look at. It was simply a coincidence that the insurance agents and the Secretary of State submitted LD 160 and LD 800 which raised the surcharge issue once again. We've also tried to establish a sales tax collection allowance or vendor compensation through the Taxation Committee in previous sessions, but those bills always die under the weight of the fiscal note.

What makes LD 1544 a worthy discussion is the recognition that Maine's retailers, restaurants and lodging properties are required to collect and remit the full 5.5%, 8% or 9% sales taxes and the credit card companies profit significantly. However, because 63% of the transactions are paid by credit and debit cards, these businesses pay between 3 and 4% of the cost in swipe fees simply to collect the taxes. On the heels of the pandemic where consumers were strongly urged to not use cash because of fears of virus transmission, and having businesses shut down and interrupted, it is time to try to address these costs for Maine's businesses.

LD 1544 would prevent the large credit card companies from charging swipe fees on the sales tax portion of the transaction. It's that simple. There is no fiscal impact to the state, and there is no burden on consumers. The credit card companies will tell you that this is too hard to do and that everyone will need to upgrade their machines. We do not believe this to be true. In restaurants, for example, the machines already are able to process meals and tips separately, and Representative Sachs mentioned the Level 1, 2, 3 and 4 processing levels. So, the technology is there to do this.

Retail, hospitality and tourism businesses were some of the most directly impacted by the pandemic. We estimate that LD 1544 would save Maine's businesses between \$34-\$35 million annually in swipe fees. That is not small potatoes. Like Representative Sachs, many legislators have asked what can be done to help Maine's businesses recover beyond the federal relief like PPP, EIDL. LD 1544 is one of the ways you can help.

Thank you for the opportunity to share our thoughts with you.

Sincerely,

Curtis Picard, CAE
President and CEO