

SENATE BILL REPORT

SB 5885

As of February 7, 2007

Title: An act relating to protecting consumers by prohibiting interchange fees from being charged on the state sales tax portion of a retail sale transaction.

Brief Description: Protecting consumers by prohibiting financial institutions from charging interchange fees on the state sales tax portion of a retail sale transaction.

Sponsors: Senators Jacobsen and Weinstein.

Brief History:

Committee Activity: Financial Institutions & Insurance:

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Vanessa Firnhaber-Baker (786-7471)

Background: When a consumer uses a debit or credit card to pay for goods or services, the retailer relays a payment request to its bank. The retailer's bank then forwards that request to the bank that issued the card to the consumer. The issuing bank then pays the retailer's bank and the retailer's bank pays the retailer. Both the issuing bank and the retailer's bank keep some portion of the payment. The portion those banks keep are typically called "interchange fees." Financial institutions charge interchange fees based on the total amount of the transaction, including sales tax.

The banks use associations (most commonly Visa and MasterCard) to convey the transaction information regarding the cards. For this service, the associations also retain some portion of the consumer's payment for each transaction.

Therefore, the end payment that the retailer receives for the credit card payment is less than the actual amount that the consumer was charged. There are no current regulations, either federal or state, addressing interchange fees.

Summary of Bill: Interchange fees are defined as the fee a merchant's financial institution pays to a cardholder's financial institution when cardholder uses a credit card or a debit card as payment during a retail transaction.

Financial institutions may not charge interchange fees on the portion of a retail transaction that is paid as state sales tax.

Appropriation: None.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.