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**SUBSTITUTE SENATE BILL 5459**

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**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Mullet and L. Wilson)

READ FIRST TIME 02/28/22.

1 AN ACT Relating to creating a business and occupation tax  
2 deduction for persons conducting payment card processing activity;  
3 adding a new section to chapter 82.04 RCW; creating new sections; and  
4 providing an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The unique nature of payment system  
7 arrangements distinguishes payment card processing companies from  
8 other taxpayers. Due to the unique nature of payment card processing  
9 companies' activities related to interchange fees and network fees,  
10 the legislature intends to address the business and occupation  
11 taxation of payment card processing companies' activities on a  
12 prospective basis only, specifically for this industry through the  
13 deduction authorized in this act.

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04  
15 RCW to read as follows:

16 (1) In computing the tax under this chapter, a payment card  
17 processing company may deduct from the measure of the tax amounts  
18 received by persons other than the payment card processing company in  
19 the following forms:

20 (a) Interchange fees; and

1 (b) Network fees.

2 (2) The definitions in this subsection apply throughout this  
3 section unless the context clearly requires otherwise.

4 (a) "Interchange fee" means a fee set by a payment network, or by  
5 agreement between an issuing bank and a merchant or merchant bank,  
6 that an issuing bank retains from the amounts settled to the merchant  
7 as compensation for the services the issuing bank provides in issuing  
8 a credit, debit, or prepaid card to a cardholder, advancing proceeds  
9 to settle a credit, debit, or prepaid card transaction, and incurring  
10 a portion of the risks relating to the transaction.

11 (b) "Issuing bank" means a bank that issues payment network-  
12 branded credit, debit, or prepaid cards to cardholders.

13 (c) "Merchant bank" means a bank that is a participant in payment  
14 networks that contracts, directly or indirectly, with a merchant,  
15 enabling that merchant to accept a payment network-branded credit,  
16 debit, or prepaid card and receive cash proceeds from the sale.

17 (d) "Network fees" means fees a payment network charges and  
18 receives as compensation for its services, including for facilitating  
19 the payment of a credit, debit, or prepaid card transaction from  
20 cardholders to a merchant through its network.

21 (e) "Payment card processing company" means a company, including  
22 a merchant bank, that acquires, either directly or indirectly,  
23 credit, debit, or prepaid card transactions from merchants,  
24 facilitates the submission of those transactions to payment networks,  
25 and facilitates the payment of proceeds of those transactions to  
26 merchants.

27 (f) "Payment network" means an operator of a system or network  
28 connecting one or more issuing banks to one or more merchant banks  
29 that facilitates financial transactions through the use of a credit,  
30 debit, or prepaid product.

31 NEW SECTION. **Sec. 3.** RCW 82.32.805 and 82.32.808 do not apply  
32 to this act.

33 NEW SECTION. **Sec. 4.** This act takes effect July 1, 2022, and  
34 applies only to tax periods beginning on or after that date.

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