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FISCAL IMPACT STATEMENT

LS 7404

BILL NUMBER: HB 1493

NOTE PREPARED: Jan 15, 2021

BILL AMENDED:

SUBJECT: Payment Card Network Interchange Fees.

FIRST AUTHOR: Rep. Bartels

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the amount of certain taxes (covered taxes) that are: (1) calculated as a percentage of the gross retail income received by a merchant or seller in an electronic payment transaction; and (2) listed separately on the payment invoice or other demand for payment; must be excluded from the amount upon which any interchange fee is charged by a payment card network for the electronic payment transaction.

The bill defines an "interchange fee" as a fee established, charged, or received by a payment card network to compensate an issuer of a debit card or credit card for the issuer's involvement in an electronic payment transaction.

The bill requires a payment card network to do one of the following:

- (1) At the time of settlement of an electronic payment transaction, deduct from the calculation of any interchange fees the amount of any covered taxes that are specific to that form or type of electronic payment transaction.
- (2) Rebate an amount of the interchange fee in an amount proportionate to the amount of the interchange fee attributable to all covered taxes imposed in the electronic payment transaction.

The bill provides that the required deduction or rebate must occur at the time of settlement when the merchant or seller, as part of the transaction finalization, is able to capture and transmit tax and fee amounts relevant to the sale at the time of sale. It provides an exception allowing a payment card network to credit a merchant's or seller's settlement account for interchange fees collected on amounts that included covered taxes, in cases in which a merchant or seller is not able to capture and transmit tax or fee amounts relevant to the sale at the time of sale.

This bill provides that a payment card network that violates these provisions:

- (1) is liable for a civil penalty in an amount not to exceed \$1,000 per violation, payable to a person aggrieved by the violation; and
- (2) shall refund to each affected merchant or seller the amount of excess interchange fees collected.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: *Court Fee Revenue:* To the extent there is an increase in the filing of civil suits, there would be an increase in state revenue from court fees. A civil costs fee of \$100 would be assessed when a civil case is filed. If additional civil actions occur and court fees are collected, revenue to the state General Fund may increase. A portion of the fee revenue is transferred to the Indiana Bar Foundation, and one fee is deposited into the State User Fee Fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Court Fee Revenue:* If additional civil actions occur and court fees are collected, local governments would receive additional revenue from both a portion of the civil costs fee and other fees that would be collected.

State Agencies Affected:

Local Agencies Affected: Trial courts, city and town courts.

Information Sources: Indiana Trial Court Fee Manual.

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