

Good Morning, I am Donald Hole, Executive Vice President and CEO of Community Bankers of Iowa, a state-wide trade association that exclusively represents the Main Street banking community in towns all over Iowa.

You have heard from a variety of folks this morning regarding the bill proposed in the last legislature to exempt tax components of card based electronic transactions from any type of interchange fee. I hope it is clear that there are a variety of issues that make this ill advised.

One further point of consideration is the establishment of a precedent of determining payment system costs based on the type of payment. Our payment system is based on universal acceptance, guarantee and settlement without respect to that transaction type that both parties have voluntarily agreed to. This system is well understood and functions for Iowa consumers on an international scale.

One further point a little closer to home. Community Banks have always served their community by bringing services to their customers, both retail and commercial. They have brought state of the art payment systems to their communities, and yes, do earn income by doing so. To establish that certain types of payments must be handled in a unique way adding cost to financial institution and ultimately the consumer, and at no cost to the merchant receiving the service, establishes a precedent that has the potential of extension to other types of transactions beyond sales tax. Each of those extensions would be sought by legislative action.

The last and final point is this. Adding this burden to the payment system, in terms of payment system operating cost, financial institution and customer impact and understanding, will not change in any way the amount or timing of tax revenue and collections for governmental units.

Thank you for your consideration.