

Good Afternoon, My name is Jim Henter and I am President of the Iowa Retail Federation. IRF is a state wide trade association representing the retail industry. IRF membership is very diverse and includes the following type of retailers:

Department

Discount

Pharmacy

Clothing

Shoe

Gift

Farm/Fleet

Book

Jewelry

Sporting Goods

Floral

Hardware

Home Improvement

Appliance

Furniture

Toy

And the list continues...

I would also like to mention that we would liked to have some members here sharing their story, however the Friday before Christmas is obviously not a good time for folks to be away from the store. So, you get me instead.

More than four decades ago, big banks began charging a “swipe fee” to Iowa retailers and consumers to cover the transaction costs of using credit cards. What began as a seamless process to help Americans transition to a “cashless” society has become an incredibly heavy burden to retailers that strive to create jobs and grow in Iowa. It’s a hidden expense that affects Iowans in their day-to-day activities and business owners as they try to weather economic times and make their payrolls.

We understand the need to help cover the costs of these types of transactions. However, we believe big banks have gotten greedy.

Iowa retailers are legally bound to collect and remit sales tax. In 2011, Iowa retailers collected nearly \$2 billion in sales tax. Rest assured that we incurred a cost to collect and remit that nearly \$2 billion to the State of Iowa. Besides the administrative and others expenses we incur in fulfilling our obligation as agents if the state, on top of all that we were charged swipe fees on 60+% of the \$2 B that we collected and remitted. What did that cost us (iowa retailers)---- \$30 million plus. Imagine the economic impact, the jobs we could have created, if that \$30 million would have benefited Iowa retailers vs. out of state banks. I think we all know the answer to that.

That’s what we are talking about with this issue. Paying the processing fees “swipe fees” on the tax portion of the transaction.

You've heard from the financial institutions that they have no idea how they could possibly do that. Well, I don't buy the technology argument, let me briefly tell you why. I have handed out to you 12 pages of interchange fees, well over 300 different interchange fees as of April 2012 that VISA and MC charges. These are the different fees that banks charge depending on type on transaction and the card that is being presented. I have to give the banks kudos on their marketing strategies. Let me give you a quick example to show my point. You are all familiar with all the mileage and rewards programs that exist. Well, it's ironic that those types of cards as the market share grows, those interchange fees for merchants have increased. So as more use them, our costs increase. If the system out there can keep track of all the different interchanges, know all the different card types as the transaction is taking place, all the rewards, mileage and points programs. Surely, it can not be that difficult to credit businesses for the sales tax portion of a transaction.

I would add that Government imposes a surcharge on taxpayers who use credit cards for payments. Whether it is parking ticket with a city, license renewal with a county or withholding payments with the state, they surcharge the taxpayers to cover the swipe fees. Retailers do not have that option for competitive reasons and because it violates their agreements with Visa and Mastercard.

We are hopeful that you would consider legislation that would ease the financial burden that retailers incur in the collection and remittance of taxes. Last legislative session, legislation was introduced to prohibit swipe fees of the tax portion of transactions and we were hopeful the financial institutions would work with their customers to achieve this, apparently this is another profit center they like a lot.

I've touched on the impact of the retail community and am pleased to have colleagues in the restaurant, lodging, petroleum marketers and farm equipment industry who will share with you how the collection of taxes in their respective industries are impacted by swipe fees.

Thank you for the opportunity to share our story with you and I certainly hope we are not keeping any of you from your holiday shopping.