

Senate File 2221 - Introduced

SENATE FILE 2221

BY SCHULTZ

A BILL FOR

1 An Act relating to payment card transactions involving firearms
2 and ammunition, and providing civil penalties.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 554H.1 Definitions.

2 1. "*Ammunition*" means the same as defined in section 683.1.

3 2. "*Assign*" or "*assignment*" means a financial institution's
4 policy, process, or practice that labels, links, or otherwise
5 associates a firearms code with a merchant or a payment card
6 transaction in a manner that allows the financial institution,
7 or other entity facilitating or processing the payment card
8 transaction, to identify whether a merchant is a firearms
9 retailer or whether a transaction involves the sale of firearms
10 or ammunition.

11 3. "*Customer*" means a person engaged in a payment
12 card transaction facilitated or processed by a financial
13 institution.

14 4. "*Disclosure*" or "*disclose*" means the transfer,
15 publication, or distribution of protected financial information
16 to another person or entity for any purpose other than any of
17 the following:

18 a. Processing or facilitating a payment card transaction.

19 b. Taking any action related to dispute processing, fraud
20 management, or protecting transaction integrity from concerns
21 related to illegal activities, breach, or cyber risks.

22 5. "*Financial institution*" means a person other than a
23 merchant involved in facilitating or processing a payment card
24 transaction, including but not limited to any bank incorporated
25 under the provisions of any state or federal law, an acquirer,
26 a payment card issuer, a payment card network, a payment
27 gateway, or a payment card processor.

28 6. "*Financial record*" means a record held by a financial
29 institution related to a payment card transaction that the
30 financial institution has processed or facilitated.

31 7. "*Firearm*" means any weapon that is capable of expelling,
32 designed to expel, or that may readily be converted to expel
33 ammunition, and includes a firearm component or accessory.

34 8. "*Firearms code*" means a merchant category code approved
35 by the international organization for standardization that is

1 specifically for firearms retailers and that is assigned to a
2 retailer by the retailer's acquirer.

3 9. "*Firearms retailer*" means a person physically located
4 within the state who engages in the lawful selling or trading
5 of firearms or ammunition.

6 10. a. "*Payment card*" means any card that is issued
7 pursuant to an agreement or arrangement that provides for all
8 of the following:

9 (1) One or more issuers of the payment card.

10 (2) A network of persons unrelated to each other and to the
11 issuer who agree to accept a payment card as payment.

12 (3) Standards and mechanisms for settling the transactions
13 between the merchandise-acquiring person and the merchant that
14 agrees to accept the payment card as payment.

15 b. "*Payment card*" includes credit cards, debit cards,
16 stored-value cards including gift cards, and payment through
17 any distinctive marks of a payment card including a credit card
18 number. The acceptance as payment of any account number or
19 other indicia associated with a payment card shall be treated
20 in the same manner as accepting the payment card as payment.

21 11. "*Payment card transaction*" means any transaction in
22 which a payment card is accepted as payment.

23 12. "*Protected financial information*" means any record of
24 a sale, purchase, return, or refund involving a payment card
25 that is retrieved, characterized, generated, labeled, sorted,
26 or grouped based on the assignment of a firearms code.

27 Sec. 2. NEW SECTION. 554H.2 Financial institutions.

28 1. A financial institution or agent of a financial
29 institution shall not do any of the following:

30 a. Require the use of a firearms code in a manner that
31 distinguishes a firearms retailer from other retailers.

32 b. Subject to subsection 2, decline a payment card
33 transaction involving a firearms retailer based solely on the
34 acquirer's assignment or nonassignment of a firearms code to
35 the firearms retailer.

1 2. Subsection 1 shall not be construed to prohibit a
2 financial institution from declining or otherwise refusing to
3 process a payment card transaction for any of the following
4 reasons:

5 *a.* If necessary to comply with applicable state or federal
6 laws.

7 *b.* If requested by a customer.

8 *c.* If necessary due to fraud controls.

9 *d.* For purposes of merchant category exclusions offered by
10 a financial institution for expenditure control or corporate
11 card control.

12 3. Except as otherwise required by law, a financial
13 institution may not disclose a financial record, including a
14 firearms code that was collected in violation of this section,
15 unless the disclosure of such financial record or firearms
16 code was based on a good-faith conclusion that the financial
17 institution's action was required by law.

18 4. This section shall not be construed to limit the
19 authority of a financial institution to negotiate with
20 responsible parties, or to otherwise impair a financial
21 institution's actions related to dispute processing, fraud
22 management, protection from illegal activities, breach, or
23 cyber risks.

24 Sec. 3. NEW SECTION. **554H.3 Enforcement — penalties.**

25 1. The attorney general shall investigate reasonable
26 alleged violations of this chapter. If the attorney general
27 has reasonable belief that a person is in violation of this
28 chapter, the attorney general shall provide written notice to
29 the person determined to have committed the violation.

30 2. Upon receipt of notice of a violation under subsection
31 1, the person shall have thirty calendar days to cease the
32 violation.

33 3. If the violation persists after the expiration of the
34 thirty-day period under subsection 2, the attorney general has
35 the sole authority to bring civil action in district court to

1 enjoin further violations by a person found to be in violation
2 of this chapter, in addition to other remedies permitted by
3 law.

4 4. If a person knowingly or willfully fails to comply
5 with an injunction issued under subsection 3, after thirty
6 calendar days of the date the person is served with the
7 injunction, the attorney general may petition the district
8 court to impose civil penalties in an amount not to exceed ten
9 thousand dollars per violation, taking into consideration the
10 financial resources of the violator and the harm or risk of
11 harm to the violator's rights under the second amendment to the
12 Constitution of the United States and Article I, section 1A,
13 of the Constitution of the State of Iowa resulting from the
14 violation.

15 5. It shall be a defense to a proceeding initiated pursuant
16 to this section that a firearms code was required to be
17 disclosed or assigned by law.

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EXPLANATION

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The inclusion of this explanation does not constitute agreement with
the explanation's substance by the members of the general assembly.

21 This bill relates to payment card transactions of firearms
22 and ammunition.

23 The bill prohibits a financial institution, or an agent
24 of a financial institution, from requiring the use of a
25 firearms code in a way that distinguishes a firearms retailer
26 from other retailers. "Financial institution", "firearms
27 code", and "firearms retailer" are defined in the bill. The
28 bill also prohibits a financial institution from declining
29 a payment card transaction involving a firearms retailer
30 based on the assignment of a firearms code. "Payment card
31 transaction" and "assignment" are defined in the bill. The
32 bill does not prohibit a financial institution from declining
33 or refusing to process a payment card transaction if necessary
34 to comply with applicable state or federal laws, if requested
35 by a customer, if necessary due to fraud controls, or for

1 purposes of merchant category exclusions offered by a financial
2 institution for purposes of expenditure control or corporate
3 card control. The bill prohibits a financial institution from
4 disclosing a financial record, including a firearms code,
5 unless the disclosure was based on a good-faith conclusion that
6 the financial institution's disclosure was required by law.
7 "Disclosure" and "financial record" are defined in the bill.
8 The bill does not limit or impair the authority of a financial
9 institution to negotiate with responsible parties or a
10 financial institution's actions related to dispute processing,
11 fraud management, or protecting against illegal activities,
12 breach, or cyber risks.

13 Under the bill, the attorney general shall investigate
14 reasonable alleged violations of the bill and, if the attorney
15 general has reasonable belief that a person is in violation of
16 the bill, the attorney general shall provide written notice
17 to the person determined to have committed the violation.
18 Upon receipt of notice of a violation, a person shall have
19 30 calendar days to cease the violation or, if the violation
20 persists, the attorney general may bring civil action in
21 district court to enjoin further violations, in addition to
22 other remedies permitted by law. If a person knowingly or
23 willfully fails to comply with an injunction after 30 calendar
24 days from the date of being served with the injunction,
25 the attorney general may petition the district court to
26 impose civil penalties in an amount not more than \$10,000
27 per violation. The bill creates a defense to a proceeding
28 initiated under the bill that a firearms code was required to
29 be disclosed or assigned by law.