

Senate Study Bill 1229 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY CHAIRPERSON
DAWSON)

A BILL FOR

1 An Act excluding interchange fees imposed upon certain taxes at
2 points of sale.

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

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1 Section 1. NEW SECTION. **423H.1 Definitions.**

2 As used in this chapter, unless the context otherwise
3 requires:

4 1. "*Credit card*" means a card, plate, coupon book, or other
5 credit device existing for the purpose of obtaining money,
6 property, labor, or services on credit.

7 2. "*Debit card*" means a card, or other payment code or
8 device, issued or approved for use through a payment card
9 network to debit an asset account, regardless of the purpose for
10 which the account is established, whether authorization is based
11 on signature, personal identification number, or other means.

12 "*Debit card*" includes a general-use prepaid card, as defined in
13 15 U.S.C. §16931-1. "*Debit card*" does not include paper checks.

14 3. "*Electronic payment transaction*" means a transaction in
15 which a person uses a debit card, credit card, or other payment
16 code or device, issued or approved through a payment card network
17 to debit a deposit account or use a line of credit, whether
18 authorization is based on a signature, personal identification
19 number, or other means.

20 4. "*Interchange fee*" means a fee established, charged,
21 or received by a payment card network for the purpose of
22 compensating the issuer for its involvement in an electronic
23 payment transaction.

24 5. "*Issuer*" means a person issuing a debit card or credit
25 card, or the agent of such a person.

26 6. "*Payment card network*" means an entity that meets all of
27 the following:

28 a. Directly, or through licensed members, processors,
29 or agents, provide proprietary services, infrastructure, and
30 software that routes information and data to conduct credit
31 card or debit card transaction authorization, clearance, or
32 settlement.

33 b. A seller uses, as a form of payment, a brand of credit
34 card or debit card, or other device that may be used to carry out
35 credit or debit transactions.

1 7. "Sale" includes leases or rentals.

2 8. "Seller" means any person making sales of items or
3 services subject to tax.

4 9. "Settlement" means the transfer of funds from the account
5 of a customer to a seller upon electronic submission of finalized
6 sales transactions to the payment card network.

7 10. "Tax" means sales and use taxes under chapter 423,
8 hotel and motel taxes under chapter 423A, local option taxes
9 under chapter 423B, automobile rental taxes under chapter 423C,
10 equipment taxes under chapter 423D, water service taxes under
11 chapter 423G, excise taxes on fuel under sections 452A.3 and
12 452A.41, and cigarette and tobacco taxes under chapter 453A.

13 Sec. 2. NEW SECTION. **423H.2 Exclusion of interchange fee**
14 **upon tax.**

15 The amount of tax calculated as a percentage of an electronic
16 payment transaction amount and listed separately on the payment
17 invoice or other demand for payment shall be excluded from the
18 amount on which an interchange fee is charged for the electronic
19 payment transaction.

20 Sec. 3. NEW SECTION. **423H.3 Payment card network**
21 **requirements.**

22 1. a. A payment card network shall deduct the amount of any
23 tax imposed from the calculation of an interchange fee specific
24 to each form or type of electronic payment transaction at the
25 time of settlement, or shall rebate the amount of an interchange
26 fee proportionate to the amount attributable to the amount of
27 tax.

28 b. A deduction or rebate must occur pursuant to this
29 subsection at the time of settlement when the seller is able to
30 capture and transmit the tax amount relevant to the sale at the
31 time of sale as part of the transaction finalization.

32 2. If a seller is unable to capture and transmit tax or
33 amounts relevant to the sale at the time of the sale, the payment
34 card network shall accept proof of tax amounts collected on the
35 sale subject to the interchange fee upon submission of the sales

1 data by the seller and promptly credit the settlement account of
2 the seller.

3 Sec. 4. NEW SECTION. **423H.4 Penalties.**

4 1. A payment card network that violates this chapter is
5 subject to a civil penalty in the amount of one thousand dollars
6 per violation. Any moneys collected pursuant to this subsection
7 shall be deposited into the general fund of the state.

8 2. In lieu of an action under subsection 1, a person may
9 bring a private action to enforce this chapter, subject to the
10 same penalties as provided under subsection 1, except any penalty
11 amounts collected from the payment card network are recoverable
12 by the person bringing the private action.

13 EXPLANATION

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

16 Currently, a payment card network (credit or debit card)
17 charges an interchange fee upon the entire electronic payment
18 transaction amount, including the amount of any taxes charged.
19 This bill excludes the amount of tax listed on the electronic
20 payment transaction from the payment card network's interchange
21 fee assessed upon such a transaction.

22 The bill defines "interchange fee" to mean a fee established,
23 charged, or received by a payment card network for the purpose
24 of compensating the issuer for its involvement in an electronic
25 payment transaction.

26 The bill defines "tax" to mean sales and use taxes under Code
27 chapter 423, hotel and motel taxes under Code chapter 423A, local
28 option taxes under Code chapter 423B, automobile taxes under
29 Code chapter 423C, equipment taxes under Code chapter 423D, water
30 service taxes under Code chapter 423G, excise taxes on fuel under
31 Code sections 452A.3 and 452A.41, and cigarette and tobacco taxes
32 under Code chapter 453A.

33 The bill requires the payment card network to deduct the
34 amount of any tax imposed from the calculation of an interchange
35 fee specific to each form or type of electronic payment

1 transaction at the time of settlement, or requires the payment
2 card network to rebate the amount of an interchange fee
3 proportionate to the amount attributable to the amount of tax.

4 If a seller is unable to capture and transmit tax or amounts
5 relevant to the sale at the time of the sale, the bill requires
6 the payment card network to promptly credit the settlement
7 account of the seller, upon sufficient proof.

8 A payment card network that violates the bill is subject to a
9 civil penalty in the amount of \$1,000 per violation. Any moneys
10 collected for violations of the bill shall be deposited into
11 the general fund of the state. In lieu of the civil penalty,
12 a person may enforce the bill through a private action, and
13 any penalty amounts are recoverable by the person bringing the
14 private action.

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