

In a rushed vote, House Finance Committee approves bill that would create credit card chaos in Pa.

Proposed changes to electronic payment system would threaten consumer privacy, burden small businesses, financially

HARRISBURG, Pa. (June 12, 2024) – Even though the bill language was only made public late Monday, the House Finance Committee today voted along party lines, 14-11, to approve a measure ([H.B. 2394](#)) that would prohibit financial institutions from collecting interchange on the sales tax portion of credit and debit card transactions.

Implementation of such a proposal would create financial chaos in Pennsylvania.

Merchants could be forced to collect the sales tax as a separate transaction, essentially requiring two transactions for every taxable sale, forcing consumers to pay the sales tax portion via cash or check. Merchants also would send payment companies additional information about a person’s shopping habits, creating enormous consumer privacy issues.

The measure now goes to the full House for consideration.

“This bill comes at an enormous expense to the state’s small businesses, raises serious privacy concerns for consumers, and promises to create chaos in our electronic payment systems,” stated Kevin Shivers, President & CEO of the Pennsylvania Association of Community Bankers.

“Proposals like this one would completely disrupt the system that safeguards our credit cards, while inconveniencing consumers and forcing small businesses to pay a fortune to try to comply,” said Duncan Campbell, President & CEO of the PA Bankers Association.

“This stands in direct opposition to the basic principles of consumer protection,” stated Patrick Conway, President & CEO of CrossState Credit Union Association. “The legislation would disrupt credit card rewards and other benefits sought after by consumers and small businesses, and risk the exposure of confidential consumer information.”

Knowing that the bill was on the fast track for committee approval, the Pennsylvania Association of Community Bankers, PA Bankers Association, and CrossState Credit Union Association [on June 5 sent a joint letter to members of the House Finance Committee](#) warning of the significant burdens this measure will cause.

The nation’s largest retailers stand to make millions of dollars at the expense of small businesses and consumers. The Pennsylvania legislature held a public hearing on this concept last December but took no further action. However, the nation’s largest big-box retailers and corporate mega-stores are making another last-minute push during budget season.

Because of consumer demand, merchants are moving away from cash and checks, adopting cashless models, like credit and debit cards, or mobile payments. Small businesses rely on cards for the ease, security and benefits they offer, and for the instant, guaranteed payments they receive. Consumers like the convenience and peace of mind that come with using their credit card, plus the frequent flyer miles, loyalty points, cash back rewards and other incentives that credit card companies offer.

Right now, when a retailer makes a sale via electronic payment, the current interchange system recognizes only the final purchase amount on which the fee is based, not the product or services sold, nor the amount of sales tax collected.

Interchange, which averages about 1.8% and has been flat for nearly a decade, covers essential card servicing expenses like fraud prevention and protection, card statements, customer service, credit monitoring, and the rewards and incentives that families and mom-and-pop businesses use to help make ends meet or grow their businesses.

For more information about the issue, visit <https://guardyourcard.com/pennsylvania>.

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