



April 2, 2025

The Honorable Ann Cummings
Chair, Senate Committee on Finance
Vermont Senate
115 State Street
Montpelier, Vermont 05633

Dear Senator Cummings,

I'm writing on behalf of cooperative credit unions, which claim two-thirds of all Vermonters as members, to convey concern with Senate bill S.135, a bill related to merchant credit card fees.

S.135, and its companion legislation, H.317, propose exempting taxes and gratuities from the calculation of interchange applied to every purchase from a Vermont merchant conducted by credit card, debit card or similar means.

Interchange is the fee a merchant pays whenever a customer uses a card to make a purchase. It is a portion of the invoice from the merchant's processor to accept payments by card. It is proportional to the size of the transaction, is typically a fraction of a cent per dollar of purchase price, and helps to lower, but doesn't cover, the costs of ensuring a safe and reliable electronic payment system. Accepting cards for payment streamlines the checkout process and increases sales. On average, consumers spend twice as much when using a card versus buying with cash. Fortunately, payment systems were in place and widely accepted during the COVID-19 pandemic, when the exchange of paper was of concern, resulting in increased use of payment systems ever since.

Exempting taxes and gratuities from interchange calculation fees provides no added benefit to government entities collecting the tax. Nor does it save the consumer anything. What does happen is an increase in the risk and costs the credit union assumes for facilitating card payment by the merchant's customer. Taxes and gratuity portions of a purchase pose no less risk or cost to the credit union than the amount of the purchased item itself. Additionally, accommodating requests for refunded interchange on taxes and gratuities, as proposed by S.135, will add complexity and operational expense for credit unions already shouldering expense beyond any interchange received.

Purchases made by credit cards transfer 100% of the risk of non-payment from the merchant to the card issuer. The entire amount of purchase is a loan to the cardholder, including taxes and gratuities.

We believe this legislation would create a disincentive for credit unions wanting to provide cost-effective card programs for members. In some case, it may even result in a reduction in payment card options for some Vermonters. Similar legislation in the only state in which it has passed, Illinois, is currently being contested in federal court. We think it inappropriate to pursue legislation exempting taxes and gratuities from interchange while the very issue is still being litigated in court.

Thank you for allowing me to express opposition to the interchange-related portion of S.135. Please be sure to contact me if there are any questions or I can help in any way.

A handwritten signature in black ink, appearing to read "Joe", with a long, sweeping horizontal line extending to the right.

Joseph G. Bergeron
President/CEO