



Legislation Text

File #: Res 1048-2025, **Version:** *

Res. No. 1048

Resolution calling on the New York State Legislature to pass, and the Governor to sign, A.4017/S.5587, which would exclude the amount of state and local taxes and fees and gratuities from the amount for which an interchange fee is charged for an electronic payment transaction by a credit or debit card network

By Council Members Menin and Brannan

Whereas, When a consumer makes purchases using a credit or debit card, the seller is required to pay several fees to accept that payment; and

Whereas, The fees are split between several parties, including the bank that issued the credit or debit card, and the fee amount received by the card issuer is known as “interchange;” and

Whereas, According to Nerd Wallet, the interchange fee typically ranges from 1% to 3% plus a flat fee for a credit card transaction; and

Whereas, The interchange fee is determined by the payment card network affiliated with a credit or debit card, such as Visa or Mastercard, and according to CMSPI, a payment consulting firm, the interchange fee rates in the United States are among the highest in the world; and

Whereas, Although cardholders are not directly charged an interchange fee, merchants may bake the costs of fees into their products, take on a smaller profit margin, or require a minimum purchase amount to help cover the fee; and

Whereas, According to the Merchants Payments Coalition, the average American family pays nearly twelve hundred dollars annually in higher retail prices because of interchange fees; and

Whereas, The Merchants Payment Coalition found that retailers across the United States paid roughly 187 billion dollars in credit and debit card fees in 2024, an increase of more than 70% since 2020; and

Whereas, According to the *New York Times*, merchants have essentially no ability to negotiate the fee determined by payment card networks; and

Whereas, The National Retail Federation also reported that small businesses can be subjected to higher fees than large retailers because of the way payment card networks set interchange fee rates; and

Whereas, Payment card networks currently assess interchange fees as a percentage of the total transaction amount including the sale of goods, plus state and local taxes, as well as any tip that is left for an employee; and

Whereas, Although sales tax revenue is remitted to the government and not considered business income, payment card networks are applying the interchange fee to the entire card transaction, therefore directing funds away from businesses and their workers; and

Whereas, Hardworking employees earn their gratuities, and businesses are responsible for passing along gratuities to staff members, and there should be no penalty assessed against gratuities because of a customer paying via card; and

Whereas, Federal action on payment card swipe fees has stalled, but the State of New York is in a position to provide relief to struggling businesses state-wide; and

Whereas, A.4017, introduced by Assembly Member John T. McDonald III and pending in the New York State Assembly, and S.5587, introduced by Senator James Skoufis and pending in the New York State Senate, seeks to amend the general business law, in relation to the calculation of interchange fees imposed by payment card networks; and

Whereas, A.4017/S.5587 would exclude certain taxes and gratuities from being included in the interchange fees imposed by payment card networks, such as sales taxes, hotel and occupancy taxes, taxes on alcoholic beverages, and rental vehicle taxes; and

Whereas, According to Senator Skoufis, this expensive and unfair business practice forces businesses in New York to pay card-issuing banks one billion dollars annually in interchange fees on sales taxes and tips

alone; and

Whereas, Affordability is a significant issue in New York City, and small businesses, workers, and consumers should not be subjected to an unfair payment card fee practice that contributes to their yearly costs; now, therefore, be it

Resolved, That the Council of the City of New York calls on the New York State Legislature to pass, and the Governor to sign, A.4017/S.5587, which would exclude the amount of state and local taxes and fees and gratuities from the amount for which an interchange fee is charged for an electronic payment transaction by a credit or debit card network.

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RLB