



*Advocating the views of convenience stores, supermarkets,
independent grocers, wholesalers and consumer product vendors.*

December 4, 2023

RE: Prohibiting Swipe Fees on PA Sales & Use Tax

Dear Chairman Samuelson, Minority Chairman Greiner, and members of the committee,

Thank you for the opportunity to share some insights on the issue of swipe fees in general, and specifically what the General Assembly as a body could do to provide some measure of relief to retailers in communities across the commonwealth.

PFMA represents businesses up and down the food supply chain operating in Pennsylvania, and one of the biggest challenges our members currently face is coping with the ever-increasing fees charged by credit card companies to process electronic transactions. These fees tend to range between two and four percent on every transaction, depending on the card. By comparison, the margin in food retail is generally one to three percent. Depending on the goods being purchased and the method of payment, it is not an exaggeration that for many transactions, the processing company now makes more than the retailer.

Rising fees have been an issue for some time, but during the pandemic the proportion of transactions that were credit, as opposed to cash or check, went up by a huge amount, and that trend has proven to be a resilient one. Retailers now face a high proportion of sales that cost them three out of every 100 dollars transacted simply to conduct.

As far as it is a question of competition in the processing marketplace, this is something that we're working on at the federal level with our national partners to try and rectify, because the monopolistic behavior of the companies dominating this space is untenable. But in the meantime, one approach possible at the state level would be exempting sales tax from being part of that processing fee calculation.

Right now, retailers pay swipe fees on the base price of a transaction but also on the sales tax they're collecting on behalf of the state. So on a \$100 sale with six percent sales tax where the overall transaction is \$106, a retailer is being charged by the credit card company roughly three dollars for the sale and 20-25 cents for collecting the tax. We think that's unfair, and given the margins involved there is only so much the retailer can absorb – and they do try – before they have to raise prices and impact the consumer as well.

Apart from anything else, exempting sales tax from the swipe fee will keep money in the state – again, 20-25 cents from every hundred dollars of taxable goods that would now remain with the retailer to spend on store improvements, employee compensation, and be more aggressive on pricing - rather than going to California and New York where these processing companies are based. It would also have no impact on state revenues. Retailers would continue to collect everything owed to Pennsylvania, as they always have done. There are a growing number of states that have introduced legislation with this goal in mind and we agree it's something that should be on the table in Pennsylvania as well.

Thank you for considering our position on this issue.

Sincerely,

Alex Baloga
President and CEO