



House Finance and Taxation Committee

03/07/23

SB 2217

Chairman Headland and committee members, my name is Don Larson and I am speaking today on behalf of the National Federation of Independent Business (NFIB). NFIB is a non-profit, non-partisan organization and is the nation's largest small business advocacy group. In North Dakota we represent more than 2,000 small businesses. Our average member has 10 employees.

I am here today to support the passage of Senate Bill 2217. Small businesses operate on thin profit margins, which have been cut further in recent years as credit card networks' swipe fees have increased. This problem has been exacerbated by pervasively high inflation, which acts as a multiplier since swipe fees are a percentage of each sale. Small business owners do not have the market power to negotiate with large credit card companies on swipe fees.

When a small business owner swipes a card for payment, they pay three main fees. The first is a processing fee which goes to the company providing the physical hardware to process the transaction. If a small business doesn't like their processor, they can find another company as the field has several competitors and pricing plans.

The second fee is the network fee which goes to the network, typically Visa and Mastercard who provide the service of transferring funds from the small businesses bank to the bank of the credit card issuing bank or credit union. Small businesses have no ability to negotiate these fees, it is take it or leave it. The fees, however, are much smaller than the third fee, interchange fees.

Interchange fees, also known as swipe fees, are the largest fees a small business pays and can be as large as 3% of a transaction. This fee is set by the credit card network (Visa or Mastercard) and dictates how much money a small business must pay the bank or credit union issuing the credit card. Small business owners cannot negotiate these fees either.

In April of 2022 both Visa and Mastercard, separate “rival” companies, announced increased interchange (swipe) fees at the same time. It is a highly unusual arrangement for a third-party service provider (credit card companies) to set the fee structure that two separate parties (small businesses and banks) pay each other independently of the service provider. It is also highly unusual that some of the largest banks in the world blindly accept a third party telling them what their interchange rate should be. This system has squashed competition and has only led to fee increases year after year.

I appreciate your time this morning and hope that you will give SB 2217 a do pass recommendation.