

Re: Statement in Opposition to North Dakota SB. 2217

Dear Chairman Headland, Vice Chair Hagert, and Members of the North Dakota House Finance and Taxation Committee:

Scheels All Sports Inc, headquartered in Fargo, ND a retailer with 5 locations in North Dakota and 31 total locations in 11 states provide this testimony in opposition to SB2217.

We have a concern that SB2217 could negatively impact the consumer in retail stores. Today when a consumer makes a purchase only the total amount that will be charged to the customer is sent for authorization to the payment card networks. This single amount without detail provides for an efficient, fast, and seamless buying experience for consumers.

- This single total amount can be made up of many different items. These items can be both taxable and nontaxable items. This total can also include a variety of government fees (hunting & fishing licenses, federal waterfowl stamps, marriage license, state park licenses, ect). This single total amount can also include tips which are intended for an employee.

There is no system in place today to exclude any of these line items from the fee that is charged to process a credit card. If a single line item (in this case sales tax) is excluded from that fee there is a potential negative impact on the consumer. Why? Because there is no system in place to facilitate the sending of multiple pieces of data to the payment card networks. The process simply does not exist today.

However, let's say the system was built and multiple pieces of data (total without sales tax and sales tax) are required to be sent for authorization. A multitude of potentially negative scenarios could occur. The first and primary is the obligation will fall on the merchant to have their POS (point of sale, i.e. cash registers) setup and programmed to send the data to the payment card networks. The work to make that happen will likely be a significant effort. It is beyond the scope of Scheels to know that full effort. Because the system doesn't exist, but knowing what we know the effort will be costly and lengthy.

If the data was sent in the way SB2217 proposes here are a few examples of scenarios that highlight the challenge of sending multiple pieces of data to the payment card networks:

- What happens when a customer returns an item. The merchant would again have to process two pieces of information for the return.
- What happens when the sales tax changes and the original transaction had a separate sales tax. How does the merchant correctly communicate to the payment network the correct sales tax that would need to be restricted from the interchange fee?
- What happens in cross state returns? Many retailers have a presence in North Dakota and also in other states. How does the merchant from a state that is not North Dakota correctly process this transaction to exclude (or get credit) for the portion that SB2217 would impact.

Scheels second concern is the potential privacy implications of SB2217. Today payment networks are blind to all portions of a transaction. However SB2217 opens the door to providing specific information about transactions to the card networks. There is currently legislation proposed in North Dakota that would prevent payment networks from seeing information about Firearm purchases. The spirit of that legislation is that ND citizens should be free to make purchases as they want free from the payment networks knowing about those types of transactions. SB2217 potentially goes in the opposite direction. Yes, today it is only about sales tax, but why open the door to building a system that would allow the payment networks to know anything about a transaction. Payment networks should only see one single amount. The amount required for authorization of the charge.

Scheels third concern is that North Dakota should not be the first state in the nation to try and enact this change. The United States payment system is the greatest system in the world. We don't believe North Dakota should go it alone and try and institute this change. The potential disruption to the payment system could have far reaching unintended consequences. There are far too many unknowns at this time to try and institute this law.

Scheels therefore urges a do not pass on SB2217.

Thank you  
Byron Snider  
VP - IT  
Scheels All Sports, Inc.