



## **Senate Bill 2217**

Presented by: Angie Olson, Director of Card Services  
ICB Services, Inc.

Before: House Finance and Taxation Committee  
Representative Craig Headland, Chairman

Date: March 7, 2023

Chairman Headland and members of the House Finance and Taxation Committee (Committee), my name is Angie Olson, and I am the Director of Card Services for ICB Services, Inc., a sister company to the Independent Community Banks of North Dakota. ICB Services opposes SB 2217 and requests a "Do Not Pass" recommendation from the Committee.

I have worked for ICB Services for over 23 years. Our company works specifically with community banks, and we service over 43 agent credit card banks in the North Dakota, South Dakota, Minnesota, and Montana regions.

Merchants are under the impression that credit cards are a cash cow for all issuers. Many of our smaller community banks offer cards as a service to rural and underserved areas. At best, those smaller issuers break even on their credit card programs.

You may have been told that excluding the sales tax portion from the calculation of interchange is a simple backend process. To the contrary, there is no payment infrastructure which exists today that can support the separation of sales tax from the calculation of interchange.

The payment system is complex ecosystem and contains several wheelhouses which include both brick and mortar and e-commerce companies. It would take several years and hundreds of millions of dollars to implement a system that would be able to exclude sales tax effectively and efficiently from interchange calculation. Payment terminals would need to be recertified and some may even need to be replaced, which would be at the businesses cost. The impact of this change would have significant impacts to both small businesses and consumers.

If SB 2217 is passed, North Dakotans would be required to make two separate transactions for card payments, one for the sale (Debit/Credit/Prepaid) and the second for the tax portion (cash or check). Here are some questions you may want to ask yourself:

- What happens if a customer does not have cash/check to cover the tax portion?
- Will wait times in line increase because there are two different transactions?
- Will North Dakotans be able to make online transactions if this bill passes?
- Even if an e-commerce merchant is willing to accept a check for online transaction, it would greatly slow down the payment and order process.
- Will there be auditing implications if taxes are collected via cash/check?

Processing fees are a cost of doing business. Currently, businesses can deduct 100% of their credit card processing fees from their taxable income. The IRS recognizes credit card fees are an essential operating cost. There are no limitations on the amount a business can claim on their processing fees.

Since 2006, this legislation has been introduced over 44x in at least 26 different states and in this timespan, it has failed to pass or be implemented. I am respectfully asking the committee to reflect on the information presented today and ask for a Do Not Pass on SB 2217.

Respectfully,

*Angela Olson*

Angie Olson  
Director of Card Services  
ICB Services, Inc.