



Written Testimony by Jared Scheeler, Partner and CEO

**Senate Finance and Tax Committee
Hearing on SB 2217
January 25, 2023**

I appreciate the opportunity to submit this testimony on behalf of The Hub Convenience Stores, Inc, a Dickinson-based, locally owned and operated convenience store chain founded in 2015. The Hub employs more than 80 people in four cities in North Dakota – Dickinson, Beulah, Hazen, and New England. My name is Jared Scheeler, and I am the Managing Partner of the business. I've been part of the convenience retailing industry since 1998, and this past October I completed my term as Chairman of the National Association of Convenience Stores.

Convenience stores play a vital role in all communities across North Dakota. We're a part of the fabric of American society. Right now there are 448 convenience stores in North Dakota, located in nearly every community across this great state. In many communities we're the only game in town. We collectively employ over 7,200 North Dakotans, which is nearly 1% of our entire state population. Perhaps the most staggering number? We conduct over 452,000 transactions per day in North Dakota, which is more than half of the state. As we like to say, if you haven't been in a convenience store today, we'll see you tomorrow!

In my stores, 85% of all transactions are paid by credit or debit cards. Attached to the back end of every one of these transactions is a fee to process the transaction, more commonly referred to as "swipe fees." Swipe fees in the United States are higher than any country in the industrialized world, mainly because these fees are anticompetitive. While banks issue cards to consumers around the country, they don't compete with other banks on the prices they charge merchants to accept those cards. Why? Because dominant payment card companies, principally Visa and Mastercard, fix these prices on behalf of the banks. It's an anticompetitive, duopolistic system, no different than the North Dakota Petroleum Marketers Association telling all of its members what to charge for a gallon of gasoline. Of course, that would never happen. Not just because it's illegal, but because it flies in the face of free-market competition. Somehow Visa and Mastercard have been getting away with it for decades. In 2022, my stores paid over \$600,000 in swipe fees. \$600,000!

The current system is inherently unfair to any retailer that collects taxes for North Dakota. As a convenience retailer, my stores collect many, many taxes on behalf of federal, state, and local governments. Think about the products we sell: Liquid fuels, foodservice, tobacco, alcohol, and retail packaged goods. On nearly all of these products, we are collecting taxes for a government entity. One study has shown that 23% of the dollars we collect in our stores are taxes that we collect and pass on. That means of the \$600,000 that my company paid in swipe fees in 2022, approximately \$138,000 were for taxes that we collected, many of them built in to the cost of the products, like tobacco and fuels. Of the many absurdities that exist about the current swipe fee market, this one may be the most infuriating.



According to the National Association of Convenience Stores, c-stores in North Dakota collected over \$481,000,000 in taxes in 2022. Using this figure, the banks made over \$12,000,000 on just the convenience industry in North Dakota from swipe fees on these taxes.

Senate Bill No. 2217 partly addresses this flaw by exempting state and local sales taxes from the transaction amount that is subject to swipe fees. In the current system, merchants are simply vessels used to collect money for federal, state, and local entities. We shouldn't be punished by paying a premium to the banks when we collect those taxes. For my five convenience stores, relief on swipe fees for state and local sales taxes would amount to nearly \$11,000. Why should I have to forfeit a large portion of my already slim profit margins just for providing a service to the State?

From a technological standpoint, the credit card companies are already collecting sales tax data on card transactions from over 12 million merchants. Any assertion that it's not technologically possible is simply not true.

With all of this as a background, it's important to recognize that SB 2217 does not address the anticompetitive swipe fee system or seek to solve all of its large problems. Instead, it merely tries to protect North Dakota's system of taxation and the merchants that provide a service in collecting North Dakota taxes from some of the worst consequences that stem from the swipe fee system.

It's time that North Dakota common sense be introduced in to the broken credit card swipe fee system. Please support SB 2217 to take an important step towards ending swipe fees on taxes collected by businesses.

Thank you.

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