

Testimony of
Matthew Leiseth
President, Hornbacher's Foods
Before the North Dakota Senate Committee on Finance and Taxation
Hearing on SB 2217
January 25, 2023

Thank you, Chairperson Kannianen and members of the Committee, for the opportunity to testify in favor of Senate Bill (SB) 2217. My name is Matt Leiseth, and I am President of Hornbacher's Foods. We've been in operation since 1951 with six stores serving the Fargo and West Fargo communities. We currently have 838 North Dakota employees with a payroll of over \$15 million. Hornbacher's is also a member of the North Dakota Grocers Association.

As a grocery retailer that paid \$2.6 million dollars in interchange fees in 2022, and as a sales tax collector for the State of North Dakota, I support SB 2217, which provides some relief for my business by removing the interchange fee that is currently applied to the sales tax portion of every sales receipt.

Currently, we pay interchange fees on the sales tax, so that we can collect the tax and submit it to the state. In other words, retailers are subsidizing state sales tax collections and financial institutions are profiting from it.

Most grocers will tell you that credit card swipe fees or interchange fees are their second or third highest operating cost behind labor and rent. These swipe fees have skyrocketed since food price inflation has increased, and to add to this cost, Visa and Mastercard increased interchange rates last Spring. Credit card swipe fees have seen the highest rate increases because they are on average two to four percent of a transaction, compared to the historically one to two percent grocery store profit. The CEOs of both Visa and Mastercard have publicly declared that inflation benefits their business because higher prices mean higher swipe fees.

SB 2217 would provide much needed relief to grocers by either:

1. Deducting the amount of any tax or fee imposed from the calculation of interchange fees specific to each form or type of electronic payment transaction at the time of settlement; or

2. Rebating an amount of interchange fee proportionate to the amount attributable to the tax or fee.

Any grocer that accepts credit cards already has the equipment to deduct the amount, whether it is a check stand pin pad reader or a mobile credit card reader. Consider how restaurants today can enter a sales amount followed by a separate tip amount into their PIN pads. Merchants could enter a pre-tax purchase amount followed by a sales tax amount into their PIN pads. To support business to business (B2B) cards, banks require that merchants pass Level 2 data in the transaction which already has sales tax separated from the purchase amount. Visa and Mastercard mandate system updates twice per year, so any system changes can be implemented during these updates.

Removing swipe fees on sales tax can also be implemented via a rebate by the financial institution at the end of the month requiring zero impact on point of sale (POS) systems. This would require merchants to submit the tax information to the financial institution.

Prohibiting swipe fees on sales taxes will keep dollars in the state, stimulating economic activity, versus sending them to networks and banks in other states and even other countries. SB 2217 will help lift a costly burden on North Dakota grocers, at absolutely no cost to the state.

The profits of merchants will stay in the community in which they operate. Hornbacher's invests in local and regional food manufacturers and farmers and ranchers by selling their products in our stores. We contribute to our local food banks, the arts, local churches, schools, and charities. Our success is directly tied to the people we serve. When large Wall Street banks and the credit card duopoly takes more of every dollar we earn on grocery sales, that's money that gets taken away from your constituents.

Thank you for your consideration of our view and we urge you to support SB 2217.