



Written Testimony by Jared Scheeler, Partner and CEO

House Finance and Tax Committee Hearing on SB 2217 March 7, 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. 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 currently have 448 stores in North Dakota, employing 7,200 people
- We conduct over 452,000 transactions per day, which is more than half the state!

In 2022, my five stores paid over \$600,000 in credit and debit card swipe fees. \$600,000!

The current swipe fee 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.

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 a fully integrated Point of Sale system, sales tax data is already being captured by processors.



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 comes down to this question: Is it fair for merchants to pay a fee to collect sales taxes that we're required to collect? The answer should be a resounding no.

After that, it's not about challenges of implementation. Don't let the banks fool you. I've been in this game for over two decades. They'll provide you with misinformation. They'll leave out important facts. And I've heard many bold faced lies. What do you think is paying for all of these ivory towers going up all over Bismarck and other communities?

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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