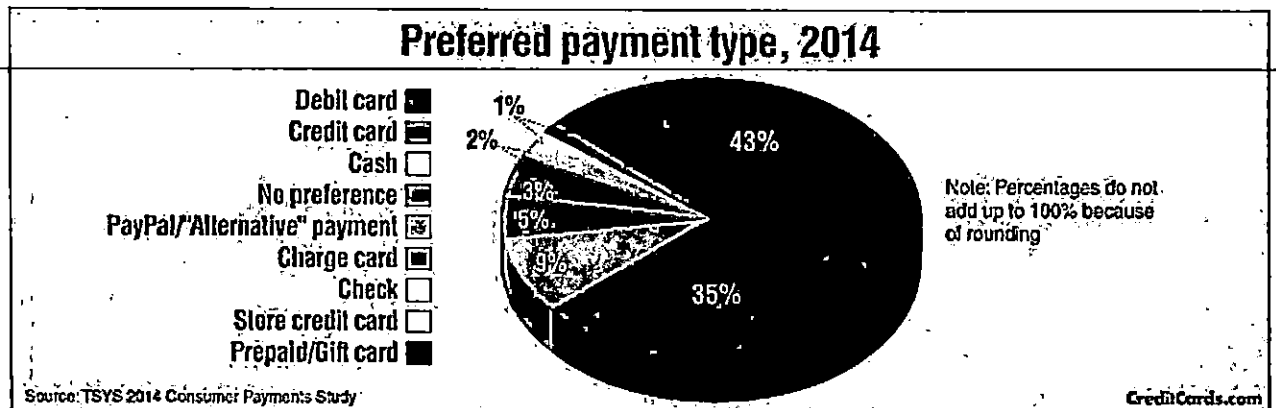


CWPMA Legislative Discussion Item

Interchange – and the cost of tax collection for retailers –

Discussion Elements:

- *Governments have the ability to surcharge why can't the people that support the government get the same consideration.*
- *Why should credit card companies and banks make money of us on something that the state forced us to do?*
- *Credit card companies take no risk on fraud and charge backs come back on the retailers.*
- *Here is another thing to consider if a merchant does accept electronic forms of payment then he has to take "all card" of a particular brand. So that means he has to hedge, he has to assume the worst in that the customer is going to pay with a card that has the highest fees, and that collecting the state tax through that card is going to cost him the most, that also has the "added" benefit of forcing him to incrementally increase the price of the good to cover that eventuality, so people that are using less expensive cards for the merchant also get screwed and because he fee is based on the overall cost of the transaction including the tax...whenever taxes increase banks get a raise merchants see their margins shrink and the cost of collecting the tax is exacerbated, By introducing cards with continually higher rewards, and hence higher transaction fees, then the cost to collect the tax also increases, which increases prices on our constituents and small business people.*



Surcharging is prohibited by Colorado law – so retailers are forced to artificially raise their prices in order to cover the cost of collection of the state tax on sales. See Below.

CWPMA Legislative Discussion Item

Colorado: Colorado law, as set forth at C.R.S. 5-2-212 (2013) provides as follows: 5-2-212. Surcharges on credit transactions - prohibition (1) Except as otherwise provided in sections 24-19.5-103 (3) and 29-11.5-103 (3), C.R.S. [each relating to sales by governmental entities] no seller or lessor in any sales or lease transaction or any company issuing credit or charge cards may impose a surcharge on a holder who elects to use a credit or charge card in lieu of payment by cash, check, or similar means. A surcharge is any additional amount imposed at the time of the sales or lease transaction by the merchant, seller, or lessor that increases the charge to the buyer or lessee for the privilege of using a credit or charge card. For purposes of this section, charge card includes those cards pursuant to which unpaid balances are payable on demand

Sales Taxes Many cities and counties impose their own local sales/use tax on purchases and transactions within their boundaries. The Colorado Department of Revenue, in addition to collecting state sales and use tax, collects sales tax on behalf of many cities and counties. These jurisdictions are referred to as "state-collected." Most Colorado counties that impose sales tax are state-collected; however, Broomfield and Denver counties collect their own county sales tax.

91 Cities which have enacted a "home-rule" charter, and which have elected to administer their own local sales and use taxes, are referred to as "self-collected" or "self-administered." Self-administered jurisdictions have the right to establish their own regulations regarding those goods and services upon which to impose their local sales and use taxes.

In 2011, local sales tax revenues totaled more than \$3.3 billion.

This amount equals 27 percent of the \$12 billion in taxes collected at the local level annually. Colorado ranks 2nd out of 35 states that collect local sales taxes (per \$1,000 of income)

Retailers outside the cost of collection for state sales tax also now bear (assuming the 80%) market share for electronic transaction hold true -- 66 million in interchange costs just for collecting local taxes.



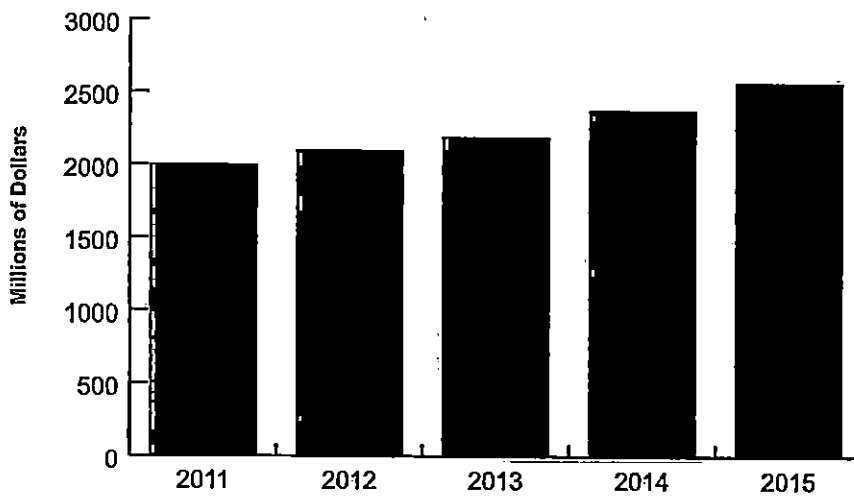
State Sales and Use Tax Net Collections

(thousands of dollars)
Fiscal Years 2011 to 2015

Year	Sales Tax	Consumer Use Tax	Retailer Use Tax	Total	Percent Change
2015	\$2,561,913	\$123,175	\$132,685	\$2,817,773	7.8%
2014	\$2,371,992	\$116,268	\$125,209	\$2,613,469	8.1%
2013	\$2,187,244	\$110,166	\$119,321	\$2,416,731	5.0%
2012	\$2,096,351	\$102,689	\$103,292	\$2,302,332	5.9%
2011	\$1,977,434	\$ 95,083	\$101,365	\$2,173,882	6.6%

Net Sales Tax Collections

Fiscal Years 2011 to 2015

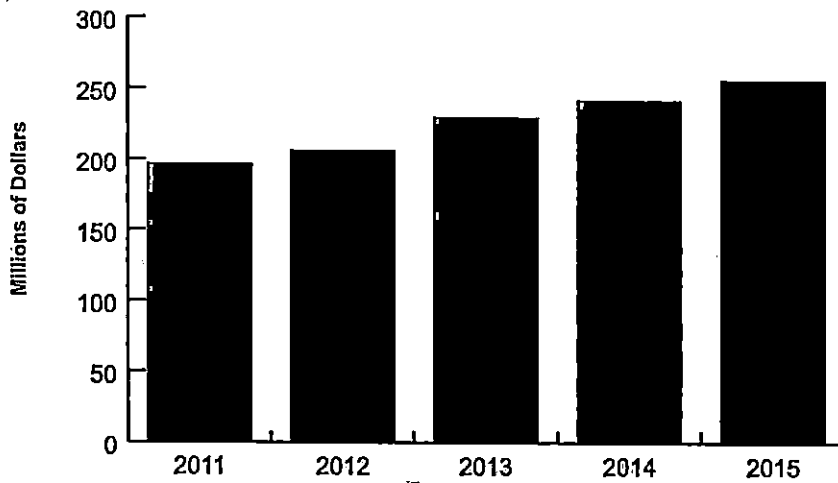


\$1,977.4 \$2,096.4 \$2,187.2 \$2,372.0 \$2,561.9

2.5 Billion in sales tax collections

Net Use Tax Collections

Fiscal Years 2011 to 2015



\$196.4 \$206.0 \$229.5 \$241.5 \$255.9

MASTERCARD	Core		Enhanced		Debit		World		W:Elite/Hr:Value	
Merit III	1.58%	\$0.10	1.73%	\$0.10	1.05%	\$0.15	1.77%	\$0.10	2.20%	\$0.10
Key Entry	1.89%	\$0.10	2.04%	\$0.10	1.60%	\$0.15	2.05%	\$0.10	2.50%	\$0.10
Merit I	1.89%	\$0.10	2.04%	\$0.10	1.60%	\$0.15	2.05%	\$0.10	2.50%	\$0.10
Merchant UCAF	1.58%	\$0.10	1.73%	\$0.10	1.05%	\$0.15	1.77%	\$0.10	2.20%	\$0.10
Full UCAF	1.68%	\$0.10	1.83%	\$0.10	1.15%	\$0.15	1.87%	\$0.10	2.30%	\$0.10
Standard	2.95%	\$0.10	2.95%	\$0.10	1.90%	\$0.25	2.95%	\$0.10	3.25%	\$0.10
REGULATED Debit*	x		x		0.05%	\$0.21/22	x		x	
INDUSTRY	Core		Enhanced		Debit		World		W:Elite/Hr:Value	
Restaurant	x		x		1.19%	\$0.10	1.78%	\$0.10	2.20%	\$0.10
Small Ticket	x		x		1.55%	\$0.04	x		x	
Emerging Market	x		x		0.80%	\$0.25	x		x	
Insurance (Merit I)	1.43%	\$0.05	1.43%	\$0.05	x		1.43%	\$0.05	2.20%	\$0.10
Petroleum Service Stations	x		x		0.70%	\$0.17	x		x	
Petroleum	1.90%	\$0.00	1.90%	\$0.00	0.70%	\$0.17	2.00%	\$0.00	2.00%	\$0.00
Supermarket	1.48%	\$0.05	1.48%	\$0.10	1.05%	\$0.15	1.58%	\$0.10	1.90%	\$0.10
Warehouse	0.90%	\$0.00	0.90%	\$0.00	1.05%	\$0.15	0.90%	\$0.00	0.90%	\$0.00
Utilities	0.00%	\$0.65	0.00%	\$0.65	0.00%	\$0.45	0.00%	\$0.65	0.00%	\$0.75
Petroleum Max/CAP	\$0.95		\$0.95		\$0.95		\$0.95		\$0.95	
Super./Warehouse Max	x		x		\$0.35		x		x	
Convenience Purchases	1.90%	\$0.00	1.90%	\$0.00	1.05%	\$0.15	2.00%	\$0.00	2.00%	\$0.00
Public Sector	1.55%	\$0.10	1.55%	\$0.10	x		1.55%	\$0.10	1.55%	\$0.10
Service Industries	1.15%	\$0.05	1.15%	\$0.05	1.15%	\$0.05	1.15%	\$0.05	1.15%	\$0.05
Reward Redemption	0.90%	\$0.00	x		0.90%	\$0.00	0.90%	\$0.00	x	
TRAVEL	Core		Enhanced		Debit		World		W:Elite/Hr:Value	
Passenger Transport	1.75%	\$0.10	1.90%	\$0.10	1.60%	\$0.15	x		x	
Pre. Travel Hotel/Car	1.58%	\$0.10	1.80%	\$0.10	1.15%	\$0.15	x		x	
T&E	x		x		x		2.30%	\$0.10	2.75%	\$0.10
T&E Large Ticket >\$2500	x		x		x		x		2.00%	\$0.00
T&E Airline	x		x		x		x		2.30%	\$0.10
COMMERCIAL	Corporate		Enhanced		World		World Elite			
Standard	2.95%	\$0.10	3.07%	\$0.10	3.12%	\$0.10	3.17%	\$0.10	Card Brand Access Fees and Ducs/Assessments:	
Data Rate I	2.65%	\$0.10	2.77%	\$0.10	2.82%	\$0.10	2.87%	\$0.10		
Data Rate II	2.15%	\$0.10	2.32%	\$0.10	2.37%	\$0.10	2.42%	\$0.10		
Data Rate III	1.90%	\$0.10	1.92%	\$0.10	1.97%	\$0.10	2.02%	\$0.10		
Data Rate II - Fleet	2.50%	\$0.10	x		x		x			
Data Rate II - Purchasing	2.40%	\$0.10	x		x		x			
Data Rate II - Petroleum	2.05%	\$0.10	2.17%	\$0.10	2.22%	\$0.10	2.27%	\$0.10		
Face to Face	2.15%	\$0.10	2.32%	\$0.10	2.37%	\$0.10	2.42%	\$0.10		
Face to Face - Fleet	2.50%	\$0.10	x		x		x			
Face to Face - Purchasing	2.40%	\$0.10	x		x		x			
Face to Face - Petroleum	2.05%	\$0.10	2.17%	\$0.10	2.22%	\$0.10	2.27%	\$0.10		
Large Ticket I	1.35%	\$40.00	1.37%	\$40.00	1.42%	\$40.00	1.47%	\$40.00	MC NABU Fee = \$0.0185 Visa APF Fee = \$0.0195 for CC \$0.0155 for DB MC assessments = 0.11% (trans under \$1k) MC assessments = 0.13% (trans over \$1k) Visa assessments = 0.11% (all trans)	
Large Ticket II	1.35%	\$40.00	1.37%	\$40.00	1.42%	\$40.00	1.47%	\$40.00		
Large Ticket III	1.35%	\$40.00	1.37%	\$40.00	1.42%	\$40.00	1.47%	\$40.00		
T&E I	2.40%	\$0.00	2.62%	\$0.00	2.67%	\$0.00	2.72%	\$0.00		
T&E II	2.35%	\$0.10	2.47%	\$0.10	2.52%	\$0.10	2.57%	\$0.10		
T&E III	2.30%	\$0.10	2.42%	\$0.10	2.47%	\$0.10	2.52%	\$0.10		
Warehouse	0.90%	\$0.00	0.90%	\$0.00	0.90%	\$0.00	0.90%	\$0.00		
Utilities	0.00%	\$1.50	0.00%	\$1.50	0.00%	\$1.50	0.00%	\$1.50		

VISA	Credit		Debit		Regulated Debit*	
Retail	1.51%	\$0.10	0.80%	\$0.15	0.05%	\$0.21/22
Key Entered / CNP	1.80%	\$0.10	1.65%	\$0.15	0.05%	\$0.21/22
EIRF	2.30%	\$0.10	1.75%	\$0.20	0.05%	\$0.21/22
Rewards I	1.65%	\$0.10	x		x	
Rewards II (ALL)	1.95%	\$0.10	x		x	
Standard	2.70%	\$0.10	1.90%	\$0.25	0.05%	\$0.21/22
REGULATED Debit*	x		0.05%	\$0.21/22	x	
INDUSTRY	Credit		Debit		Regulated Debit*	
Restaurant	1.54%	\$0.10	1.19%	\$0.10	0.05%	\$0.21/22
Small Ticket	1.65%	\$0.04	1.55%	\$0.04	0.05%	\$0.21/22
Developing Market	1.43%	\$0.05	0.80%	\$0.25	x	
Service Station	1.15%	\$0.25	0.80%	\$0.15	0.05%	\$0.21/22
Automatic Fuel	1.15%	\$0.25	0.80%	\$0.15	0.05%	\$0.21/22
Supermarket	1.22%	\$0.05	\$0.30		0.05%	\$0.21/22
Utility	0.00%	\$0.75	0.00%	\$0.65	0.05%	\$0.21/22
Supermarket Max	x		x		x	
Account Funding	2.14%	\$0.10	1.75%	\$0.20	x	
Retail 2	1.43%	\$0.05	0.65%	\$0.15	0.05%	\$0.21/22
Ecommerce Basic	1.80%	\$0.10	1.65%	\$0.15	0.05%	\$0.21/22
Ecommerce Preferred	1.80%	\$0.10	1.60%	\$0.15	0.05%	\$0.21/22
Ecom Pref Pass Trans	1.70%	\$0.10	1.70%	\$0.15	0.05%	\$0.21/22
Ecom Pref Hotel/Car	1.54%	\$0.10	1.70%	\$0.15	0.05%	\$0.21/22
TRAVEL	Credit		Debit		Regulated Debit*	
Passenger Transport	1.70%	\$0.10	1.60%	\$0.15	0.05%	\$0.21/22
Hotel/Car - Retail	1.54%	\$0.10	1.19%	\$0.10	0.05%	\$0.21/22
Hotel/Car - KE/CNP	1.54%	\$0.10	1.70%	\$0.15	0.05%	\$0.21/22
Sign. Card Electronic	2.30%	\$0.10	x		x	
Sign. Card Standard	2.70%	\$0.10	x		x	
COMMERCIAL	Corporate		Business		E/S Business	
Sig/Sig Pref - Retail	2.10%	\$0.10	x		2.40%	\$0.10
Sig/Sig Pref - CNP	2.40%	\$0.10	x		2.60%	\$0.20
Sig Pref - Petroleum	1.15%	\$0.25	x		x	
Electronic	2.75%	\$0.10	2.40%	\$0.10	2.85%	\$0.10
Non-Travel Level II	2.05%	\$0.10	2.05%	\$0.10	2.05%	\$0.10
Retail	2.10%	\$0.10	2.20%	\$0.10	2.40%	\$0.10
Enhanced Retail	x		x		2.30%	\$0.10
Enhanced Electronic	x		x		2.75%	\$0.15
Enhanced CNP	x		x		2.45%	\$0.15
Enhanced B2B	x		x		2.25%	\$0.10
CNP	2.20%	\$0.10	2.25%	\$0.10	x	
SP/C/B - B2B	2.10%	\$0.10	2.10%	\$0.10	x	
GSA Large Ticket	1.20%	\$39.00	1.20%	\$39.00	x	
Utility	x		0.00%	\$1.50	x	
SP/C/B/P - Standard	2.95%	\$0.10	2.95%	\$0.20	2.95%	\$0.20
PURCHASING	Purchasing		Purchasing		Regulated Debit*	
Electronic	2.75%	\$0.10	x		0.05%	\$0.21/22
Lg. Ticket (Em. Market)	1.45%	\$35.00	x		0.05%	\$0.21/22
Non-Travel Level III	1.95%	\$0.10	x		0.05%	\$0.21/22
Retail	2.40%	\$0.10	x		0.05%	\$0.21/22
CNP	2.65%	\$0.10	x		0.05%	\$0.21/22
Business to Business	2.40%	\$0.10	x		0.05%	\$0.21/22

