



June 21, 2024

To: Members of the Pennsylvania General Assembly
From: The Undersigned Organizations

**Re: Reject Proposals to Manipulate Interchange Fees
Oppose HB 2394; Support SB 1225**

Dear Members of the Pennsylvania General Assembly,

Americans for Tax Reform, and the undersigned organizations, **write to you today to voice our opposition to [HB 2394](#)**. This legislation would force payment card networks to exclude sales taxes from the interchange fee charged on electronic payment transactions.¹ **Such legislation undermines contracts between private parties and would result in a number of negative consequences for Pennsylvania households, consumers, and small businesses.**

The government should not mandate new regulations around interchange fees. Such a policy is simply another example of one private entity using the government to get their preferred terms for a contract with another private entity put in law. The government should not be meddling in these business-to-business negotiations. What is worse, doing so would set a dangerous precedent of expanding government authority to intervene in private contracts generally.

Imposing new government-mandated restrictions on interchange fees would also inflict a great deal of harm on small businesses and consumers. An [academic paper](#) looking at Sen. Dick Durbin’s (D-Ill.) [Credit Card Competition Act \(CCCA\)](#)—a federal bill attempting to intervene in private contracts for credit cards—finds that small businesses may lose \$1 billion in rewards and potentially lose access to \$700 billion in revolving lines of credit if the CCCA is enacted.

These findings are not very surprising. The Durbin Amendment—the precursor to the CCCA, which imposed government mandated price controls on debit card interchange fees—also resulted in negative outcomes. A 2022 [report](#) from U.S. Government Accountability Office concludes that if the Durbin Amendment “had not been implemented, 65 percent of noninterest checking accounts offered by covered banks would have been free.”

In 2014, the Federal Reserve Bank of Richmond [found](#) that after the enactment of the Durbin Amendment, about 22% of merchants raised prices on consumers while only 1% lowered prices. Similar government-mandated price controls in HB 2394 could lead to similar outcomes.

¹ An “interchange fee” is a percentage of the debit or credit card transaction that is transferred to the consumer’s bank or credit union. These fees are used to pay for credit allocation, privacy protection, and rewards points.



The American Consumer Institute
Center for Citizen Research



CENTER FOR A FREE ECONOMY



CONSUMER ACTION for a STRONG ECONOMY





It is clear HB 2394 would only impose new government-mandated restrictions on interchange fees that will increase the cost of banking services, reduce the availability of credit, burden small businesses and consumers, hamper rewards (like cash back), and limit investment in fraud protection technology on payment cards.



Illinois Democrats recently supported and passed nearly identical legislation to HB 2394. Gov. J.B. Pritzker (D) happily signed this bill into state law. Illinois is the only state in the U.S. to pass such onerous legislation.



The best way to help small businesses is to continue to cut taxes and remove regulatory barriers—as both Pennsylvania Republicans and Democrats have done to varying degrees by supporting corporate tax rate reductions.

We encourage lawmakers to support [SB 1225](#). This bill expands the vendor discount for merchants reporting sales taxes to the state government. This would provide meaningful relief to small businesses by reducing tax obligations imposed by government, rather than using the government to manipulate winners and losers.



For these reasons we urge you to reject HB 2394.

As you deliberate over HB 2394 and SB 1225, please consider us as a resource to provide insightful analysis and advice. We appreciate all the work you have done and continue to do for your constituents and the state of Pennsylvania.

Sincerely,

Grover Norquist
President
Americans for Tax Reform

Emily Greene
Deputy State Director, Pennsylvania
Americans for Prosperity

Steve Pociask
President & CEO
The American Consumer Institute

Ryan Ellis
President
Center for a Free Economy



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Seton Motley
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