

SB2083



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

SB2083

Introduced 2/26/2021, by Sen. Cristina Castro

SYNOPSIS AS INTRODUCED:

New Act

Creates the Interchange Fee Act. Provides that the amount of any covered tax that is calculated as a percentage of the gross retail income received by a merchant or seller in an electronic payment transaction and listed separately on the payment invoice or other demand for payment must be excluded from the amount upon which any interchange fee is charged for the electronic payment transaction with respect to which the covered tax is imposed. Contains provisions concerning penalties.

LRB102 14105 HLH 19457 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Interchange Fee Act.

6 Section 5. Definitions. As used in this Act:

7 "Covered tax" means any separately stated State or local
8 tax on goods or services.

9 "Credit card" means any card, plate, coupon book, or other
10 credit device that is issued for the purpose of allowing a
11 person to obtain money, property, labor, or services on
12 credit.

13 "Debit card" means any card or other payment code or
14 device issued or approved for use through a payment card
15 network to debit an asset account, regardless of the purpose
16 for which the account is established or whether authorization
17 for the debit is based on a signature, a personal
18 identification number, or other means. The term "debit card"
19 includes a general-use prepaid card but does not include a
20 paper check.

21 "Electronic payment transaction" means a transaction in
22 which a person uses a debit card, a credit card, or another
23 payment code or device issued or approved for use through a

1 payment card network to debit a deposit account or use a line
2 of credit, regardless of whether authorization for the debit
3 is based on a signature, a personal identification number, or
4 other means.

5 "Interchange fee" means a fee established, charged, or
6 received by a payment card network for the purpose of
7 compensating an issuer for the issuer's involvement in an
8 electronic payment transaction.

9 "Issuer" means a person, or agent thereof, that issues a
10 debit card or a credit card.

11 "Payment card network" means an entity that, directly or
12 through licensed members, processors, or agents, provides the
13 proprietary services, infrastructure, and software that:

14 (1) routes information and data to conduct debit card
15 or credit card transaction authorization, clearance, and
16 settlement; and

17 (2) a merchant or seller uses in order to accept as a
18 form of payment a brand of:

19 (A) debit card;

20 (B) credit card; or

21 (C) another device that may be used to carry out
22 debit or credit transactions.

23 "Settlement", with respect to an electronic payment
24 transaction, means the transfer of funds from a customer's
25 account to a seller or merchant upon electronic submission of
26 finalized sales transactions to a payment card network.

1 Section 10. Payment card interchange fees.

2 (a) The amount of any covered tax that is calculated as a
3 percentage of the gross retail income received by a merchant
4 or seller in an electronic payment transaction and listed
5 separately on the payment invoice or other demand for payment
6 must be excluded from the amount upon which any interchange
7 fee is charged for the electronic payment transaction with
8 respect to which the covered tax is imposed.

9 (b) A payment card network shall do one of the following:

10 (1) at the time of settlement of an electronic payment
11 transaction, deduct from the calculation of any
12 interchange fees to be imposed the amount of any covered
13 taxes that are specific to that form or type of electronic
14 payment transaction; or

15 (2) rebate an amount of the interchange fee in an
16 amount proportionate to the amount of the interchange fee
17 attributable to all covered taxes imposed in the
18 electronic payment transaction.

19 (c) Except as provided in subsection (d), a deduction or
20 rebate made under subsection (b) must occur at the time of
21 settlement when the merchant or seller, as part of the
22 transaction finalization, is able to capture and transmit tax
23 and fee amounts relevant to the sale at the time of sale.

24 (d) If a merchant or seller is not able to capture and
25 transmit tax or fee amounts relevant to the sale at the time of

1 sale, the payment card network shall:

2 (1) upon submission of sales data by the merchant or
3 seller, accept proof of covered tax amounts collected on
4 sales subject to an interchange fee; and

5 (2) promptly credit the merchant's or seller's
6 settlement account.

7 (e) It shall be unlawful to alter or manipulate the
8 computation and imposition of interchange fees by increasing
9 the rate or amount of the fee applicable to or imposed upon
10 that portion of an electronic payment transaction not
11 attributable to a State or local tax or fee to circumvent the
12 effect of this Act.

13 Section 15. Penalties. A payment card network that
14 violates this Section: (1) is liable for a civil penalty in an
15 amount not to exceed \$1,000 per violation, payable to a person
16 determined by a court to have been aggrieved by the violation;
17 and (2) shall refund to each merchant or seller affected by the
18 violation the amount of excess interchange fees collected.