



Visa and MasterCard Agree to Merchant-Added Surcharge

On January 27, 2013, *Visa and MasterCard* responded to a class settlement agreement from November of last year by modifying their rules, allowing merchants to charge an extra fee to customers who pay with their credit cards. It is left to the discretion of each merchant as to whether their business will implement it.

This surcharge has some limitations that are important to know. In fact, ten states have decided not to allow the charges at all: California, Colorado, Connecticut, Florida, Kansas, Maine, Massachusetts, New York, Oklahoma, and Texas. If you do business in one of these locations, you may not add a surcharge.

Below is a list of other conditions that must be met in order to apply the charge.

- The surcharge may be applied to *credit cards only*; signature or PIN debit cards are not included.
- *If you accept American Express or other card brands that do not allow surcharges, you may not surcharge any card brand.*
- If you qualify to apply the charge, you must *register with the card brands 30 days in advance* of beginning to charge and *charge all cards within the brand the same* amount.
- The percentage charged will be determined *based on a formula* of the merchant's historical effective rate over a specified period of time.
- You must *inform your customer of the fee*. Notice must be posted at the store's entrance, at the point of sale, and be printed on the receipt of the transaction. The percentage surcharge must automatically calculate and print as a separate line item for the consumer to see.

There is plenty of buzz in the media currently with strong opinions—pro and con—about the surcharge and whether it will prohibit future cases against big brands based on price fixing. While both sides have agreed to this settlement, details are still being worked out and finalizations will come later this year. It will be then that the industry is equipped to handle the surcharge on the processing side following card brand specifications.

If you choose to implement the surcharge to your Visa and MasterCard customers to help defray processing costs, be sure you know the rules and take into consideration how doing so will impact your business. For details or clarification, visit these websites:

www.mastercardmerchant.com

www.visa.com/merchantsurcharging

www.veracitypayments.com/content/optionalsurcharge

Still unsure of the conditions? Call us at Veracity: (888) 599-2209 and we will help explain the details.