

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 650

Short Title: No Interchange Fees on Sales Tax or Tips. (Public)

Sponsors: Representatives Howard, Setzer, and N. Jackson (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Finance, if favorable, Rules, Calendar, and Operations of the House

April 2, 2025

A BILL TO BE ENTITLED
AN ACT TO PROHIBIT INTERCHANGE FEES ON SALES TAX OR GRATUITIES.
The General Assembly of North Carolina enacts:

SECTION 1. Chapter 66 of the General Statutes is amended by adding a new Article to read:

"Article 52.

"No Interchange Fees on Sales Tax or Gratuities.

"§ 66-511. Definitions.

In this Article, the following definitions apply:

- (1) Acquirer bank. – A member of a payment card network that contracts with a merchant for the settlement of electronic payment transactions, whether directly with merchants or indirectly through a processor.
- (2) Authorization. – The process through which a merchant requests approval for an electronic payment transaction from the issuer.
- (3) Clearance. – The process of transmitting final transaction data from a merchant to an issuer for posting to the cardholder's account and the calculation of fees and charges, including interchange fees, that apply to the issuer and the merchant.
- (4) Covered credit card issuer. – A credit card issuer that, together with any affiliates, had consolidated worldwide banking and nonbanking assets, including assets of affiliates, other than trust assets under management, of more than eighty-five billion dollars (\$85,000,000,000) at any point during the previous calendar year.
- (5) Credit card. – A card, plate, coupon book, or other credit device existing for the purpose of obtaining money, property, labor, or services on credit.
- (6) Debit card. – A card or other payment code or device issued or approved for use through a payment card network to debit an asset account, regardless of the purpose for which the account is established, whether authorization is based on a signature, a personal identification number, or other means. The term includes a general-use prepaid card, as defined in 15 U.S.C. § 1693l-1. The term does not include paper checks.
- (7) Electronic payment transaction. – A transaction in which a person uses a debit card, a credit card, or other payment code or device issued or approved through a payment card network to debit a deposit account or use a line of



credit, whether authorization is based on a signature, a personal identification number, or other means.

(8) Gratuity. – A voluntary monetary contribution to an employee from a guest, patron, or customer in connection with services rendered.

(9) Interchange fee. – A fee established, charged, or received by a payment card network for the purpose of compensating the issuer for its involvement in an electronic payment transaction.

(10) Issuer. – A person issuing a debit card or credit card.

(11) Merchant. – A person that accepts electronic payment transactions and collects and remits a tax.

(12) Payment card network. – An entity to which both of the following apply:

a. The entity, directly or through licensed members, processors, or agents, provides the proprietary services, infrastructure, and software to route information and data for the purpose of conducting electronic payment transaction authorization, clearance, and settlement.

b. A merchant uses the entity to accept as a form of payment a brand of debit card, credit card, or other device that may be used to carry out electronic payment transactions.

(13) Person. – Any individual, firm, public or private corporation, government, partnership, association, or any other organization or entity.

(14) Processor. – An entity that facilitates, services, processes, or manages the debit or credit authorization, billing, transfer, payment procedures, or settlement with respect to any electronic payment transaction.

(15) Settlement. – The process of transmitting sales information to the issuing bank for collection and reimbursement of funds to the merchant and calculating and reporting the net transaction amount to the issuer and merchant for an electronic payment transaction that is cleared.

(16) Tax. – Any use and occupation tax or excise tax imposed by the State or a unit of local government in the State.

(17) Tax documentation. – Documentation, such as invoices, receipts, journals, ledgers, and tax returns filed with the Department of Revenue or local taxing authorities, that is sufficient for a payment card network to determine the total amount of an electronic payment transaction and the tax or gratuity amount of the transaction. Tax documentation may be related to a single electronic payment transaction or multiple electronic payment transactions aggregated over a period of time.

"§ 66-512. Interchange fees on taxes and gratuities prohibited.

(a) An issuer, a payment card network, an acquirer bank, or a processor shall not receive or charge a merchant an interchange fee on the tax amount or gratuity of an electronic payment transaction if the merchant informs the acquirer bank or its designee of the tax or gratuity amount as part of the authorization or settlement process for the electronic payment transaction. The merchant shall transmit the tax or gratuity amount data as part of the authorization or settlement process to avoid being charged an interchange fee on the tax or gratuity amount of an electronic payment transaction.

(b) A merchant that does not transmit the tax or gratuity amount data in accordance with subsection (a) of this section may submit tax documentation for the electronic payment transaction to the acquirer bank or its designee no later than 180 days after the date of the electronic payment transaction and, within 30 days after the merchant submits the necessary tax documentation, the issuer shall credit to the merchant the amount of the interchange fee charged on the tax or gratuity amount of the electronic payment transaction.

1 (c) This section does not create liability for a payment card network regarding the
2 accuracy of the tax or gratuity data reported by the merchant.

3 (d) It is unlawful for an issuer, a payment card network, an acquirer bank, or a processor
4 to alter or manipulate the computation and imposition of interchange fees by increasing the rate
5 or amount of the fees applicable to or imposed upon the portion of a credit or debit card
6 transaction not attributable to taxes or gratuities to circumvent the effect of this section.

7 **"§ 66-513. Penalties.**

8 (a) Injunctive Relief. – The Attorney General may file suit to seek injunctive relief from
9 a covered credit card issuer or payment card network that has violated any of the prohibitions of
10 this Article.

11 (b) Civil Penalty. – The Attorney General may file suit to assess a civil penalty on an
12 issuer, payment card network, acquirer bank, or processor that has violated this Article. The
13 amount of the civil penalty shall be one thousand dollars (\$1,000) per electronic payment
14 transaction conducted in violation of this Article. The clear proceeds of civil penalties provided
15 for in this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with
16 G.S. 115C-457.2.

17 (c) Refund. – If a court finds that a person has violated this Article, the person shall refund
18 the merchant the interchange fee calculated on the tax or gratuity amount of the electronic
19 payment transaction.

20 (d) Data Use. – An entity, other than the merchant, involved in facilitating or processing
21 an electronic payment transaction, including an issuer, payment card network, acquirer bank, or
22 processor, shall not distribute, exchange, transfer, disseminate, or use the electronic payment
23 transaction data except to facilitate or process the electronic payment transaction; to monitor for,
24 detect, or prevent fraud; to support loyalty, rewards, or promotional offerings; to tailor products
25 and services to serve customer needs; or as required by law. A violation of this subsection
26 constitutes a violation of G.S. 75-1.1."

27 **SECTION 2.** If a provision of this act or its application to a person or circumstance
28 is held invalid, the invalidity does not affect another provision or application that can be given
29 effect without the invalid provision.

30 **SECTION 3.** This act becomes effective October 1, 2025, and applies to transactions
31 made on or after that date.