



A QUICK GUIDE TO **MERCHANT SURCHARGES**



As a retailer, you have likely come across references to merchant surcharges.

This guide is a resource to help you fully understand surcharges and stay informed about state laws so you can follow the rules correctly and avoid mistakes.

This document is provided for educational purposes, is not intended to be legal advice and may not cover every situation. Please consult with your own attorney regarding any questions or issues you may have.



WHAT IS A SURCHARGE?

Put simply, a surcharge is an additional fee that a merchant adds to a customer's bill when they use a credit card.

Surcharges are generally applied to credit card transactions to cover the cost of processing the payment. In most states, this fee is between 1% and 4%.

TYPES OF FEES

There are four types of fees merchants should be aware of:



CONVENIENCE FEE

An extra charge is added by a business when a customer chooses to pay using any method that isn't the standard or preferred method of payment. A convenience fee is a fixed dollar amount and must be divulged to the customer before the transaction occurs. An example would be a brick-and-mortar store charging a convenience fee for accepting payments over the phone.



SURCHARGE

This fee, which can be up to 3%, is added to card transactions to help cover the costs you incur as the merchant for processing the payment. It can be applied only to credit card payments.



CASH DISCOUNT

A discount you can offer customers so they pay less than the listed price if they pay in cash.



DUAL PRICING

This is where you display the cash and credit card prices on each product you're selling. It's a positive way merchants can respond to anti-junk-fee legislation.

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WHEN SURCHARGES MAKE SENSE

Imagine you're a merchant operating stores in multiple states, and in some of those states, laws prohibit you from charging surcharges, whereas in other states, no laws are in place.

In this scenario, you're obliged to follow the state laws where your outlet(s) are located. For example, in the case of [California](#), a statewide ban became effective July 1, 2024. So, if you have outlets in California, you can't apply surcharges there.

However, if you also have outlets in states where surcharges are legal, you can apply them in those locations. In these instances, it might make sense to add a surcharge.

Merchant surcharges are widely accepted. However, certain contingencies apply to surcharges in some states. For example, in Illinois, surcharges are capped at 1%.

It's important to review the specific limitations that apply in any jurisdiction that you are operating in, including these jurisdictions:

Colorado	Maine	Nevada
Connecticut	Massachusetts	New Jersey
Florida	Michigan	New York
Georgia	Minnesota	Oklahoma
Illinois	Montana	Puerto Rico
Kansas		

FOLLOWING PROPER SURCHARGE PROTOCOLS

When applying surcharges, it's essential that you follow the correct protocols not only for each state in which you operate but also for each credit card network you use:

- Make it clear online and in-store that you add a surcharge on credit card purchases. This should be transparent upon the customer's point of entry to your store and again at the point of sale.
- Clearly disclose the surcharge on the customer's transaction receipt as a separate charge.
- Follow your payment card network's specific disclosure requirements and guidelines, such as signage, font size, etc. — for example, as dictated by [Visa](#), [Mastercard](#), [American Express](#) and [Discover](#).

- Inform your acquirer, Banc of California and BancEdge of your surcharging practice.
- Surcharge fees are capped at 4% (3% for Visa) of the total transaction.
- Surcharges cannot be applied to debit cards.
- Unlike a convenience fee, a surcharge must be a percentage of the total transaction amount, not a random amount set by your business.

KEY SURCHARGE MISTAKES TO AVOID

To avoid falling afoul of state laws and upsetting customers, here are a few tips for steering clear of surcharge-related mistakes:

- Keep up with legislative changes pertaining to credit card surcharges by checking the relevant [state legislature's website](#).
- Ensure that your surcharge policies are clearly communicated to customers.
- Pay attention to your competitors. If you're the only merchant applying surcharges, you risk customers going elsewhere to shop.
- Protect your reputation as a merchant by committing yourself to transparency and remaining compliant. Remember, you risk fines if you violate the rules set by each credit card company. For example, Visa can issue immediate fines of \$1,000 to merchants that don't comply with its surcharge rules.

LEARN MORE

We hope this guide has provided you with a better understanding of what merchant surcharges are and how to navigate them. If you currently apply surcharges or have considered doing so in the future, please consult your legal counsel to ensure that your surcharging practice is compliant with applicable laws. No legal guidance is provided within this guide.

To learn more about our payment processing solutions, please visit: bancocal.com/bancedge