



STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

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## MERCHANT FEE INFORMATION

Since July 2013, the Nevada State Treasurer's Office (STO) became responsible for oversight and management of the state's contracts for electronic payment acceptance. Electronic payment acceptance includes processing of credit cards and debit cards and electronic checks. If any agency is considering accepting any of these payments types, this form should be reviewed.

### MERCHANT FEES

An important consideration when deciding whether to accept cards or electronic checks as forms of payment is the cost to your agency. Credit card brands, like Visa, MasterCard, American Express and Discover, charge a multitude of merchant fees. Interchange and assessment fees refer to a merchant's cost for accepting a credit card for payment and range from over 1% to over 3% of the total transaction amount or total transaction volume. Merchant fees are based on the merchant's industry type, the type of card, the method used to process the payment, the amount of the transaction and other related factors.

Following are a few instances that drive these fees:

- Keyed entries and web transactions have higher interchange fees because without the swipe data, there is a greater chance that the transaction may be fraudulent. Additionally, card-present vs. card-not present transactions will yield lower costs.
- Rewards cards have higher interchange fees to fund the rewards programs to cardholders.
- Commercial or business cards have higher interchange fees to fund corporate and purchasing card features, such as rewards, spending controls and detailed reporting.
- Debit card transactions processed with a PIN or without for larger transactions will have a lower effective rate because the funds are deducted directly from the cardholder's bank account.

A summary of assessment fees charged by various card brands can be found on the Training and Documents page of STO's website in a document titled, "CC Assessment Fees." These fees are charged in addition to the interchange fees described above and fall outside of the transactional fees the State Treasurer's Office pays for payment gateway services and merchant/agency pays for processing.

Debit transaction fees are dependent upon whether the transaction is processed as PIN-based or PIN-less, the amount of the transaction and the size of the bank that issued the customer's card. For PIN-based debit cards, interchange fees are replaced by PIN-based network fees. These fees vary based on the different networks, such as Star, NYCE, Pulse, etc., and include both a network fee component and a switch fee. A summary of these fees are located in the document called Debit Network fees. PIN-less debit transactions will carry the same fees as a traditional credit card transaction with exception that the interchange fee is lower because the funds are deducted directly from the cardholder's bank account. Since debit transactions are considered a lower risk, the effective rate in accepting any type of debit transaction is lower than traditional credit.

Ultimately, the debit networks charge either an interchange/or debit network fee for PIN, which consists of a percentage, a flat transaction fee and a switch fee if the PIN to route transaction data through its networks. Legislation passed in 2011, known as the Durbin Amendment, caps debit interchange fees at \$0.22 + 0.05% for any issuing bank with \$10 billion or more in assets. Smaller issuing banks are not restricted by this cap and have fees varying in rates.

**CURRENT STATE CONTRACT**

Listed below are typical charges an agency can expect when accepting electronic payments under the current State of Nevada contract:

Wells Fargo Payment Gateway/CyberSource (gateway for web-based payments)	\$0.05 per transaction *STO pays this fee on behalf of state agencies
Wells Fargo Merchant Services (processor)- all credit and debit transactions *not applicable to e-check transactions	\$0.03 +\$0.01 for AVS <sup>1</sup> per transaction
Credit Card Interchange/Discount Fees	NV state average is ~1.68% on the total transaction amount
Debit Interchange/Network Fees	<b><u>Average Interchange for Debit</u></b> <i>Regulated (issuers with 10+billion in assets) =</i> 0.05% + \$0.21 (transaction fee) + (switch fee for PIN debit depending on network) <i>Non-regulated PIN-less average=</i> 0.65% + \$0.15 <i>Non-regulated PIN-based average=</i> 0.80% + \$0.15

<sup>1</sup> AVS is Address Verification Service; validates billing address submitted with a payment against the card issuer's database.

**TRANSACTION VOLUME/CONVENIENCE FEES**

An agencies transaction volume is important information to have prior to contacting our office to inquire about electronic payment acceptance. Transaction totals are dependent upon the type of product or service an agency provides and the fees charged. An agency should calculate average monthly and yearly transaction volume totals and the average transaction amount prior to contacting STO.

Knowing an office's transaction volume totals will also help determine whether that agency or office can absorb the cost of merchant fees or if an agency will need to consider charging customers a surcharge fee. Pursuant to NRS 353.1465, the total fees charged by a state entity in a fiscal year must not exceed the total amount of fees charged to the state entity in that same fiscal year.

Additionally, credit card brands (Visa, MasterCard, etc.) have specific guidelines when accepting their card type, especially as it pertains to surcharge fees. Some of the standard requirements are stated below:

- Merchants/agencies must notify card brands through the states vendor (through STO) of their intent to charge a fee at least thirty (30) days prior;
- Merchants may only charge a fee for credit card purchases;

- Merchants must disclose the fee at the point of establishment entry or if online, at the first page that references credit card brands and on the payment receipt.

### **ADDITIONAL QUESTIONS**

For answers to additional questions or concerns regarding electronic payment acceptance fees, please contact the Nevada State Treasurer's Office at (775) 684-5675.