ILLINOIS BANKERS®

June 2, 2024

The Honorable J.B. Pritzker
Governor of Illinois
207 Statehouse
Springfield, IL 62706

Re: H.B. 4951 Section 150 – Interchange Fee Prohibition Act

Dear Governor Pritzker:

The Illinois Bankers Association (IBA)[1] is writing on behalf of its members and financial interests throughout the country to respectfully urge you to consider the implications of the Interchange Fee Prohibition Act passed as part of the revenue bill implementing the State budget for fiscal year 2025.

The Interchange Fee Prohibition Act will make Illinois a global outlier in its treatment of payments, with significant consequences for Illinois consumers and businesses. The law harms the U.S. payments system by fundamentally altering how payments are processed while garnering no additional revenue for our state government necessities. Instead, it will provide a benefit to the largest retailers — predominately headquartered outside Illinois — while imposing burdensome implementation costs on Illinois' small retailers and financial institutions and making seamless card payments a thing of the past for Illinois consumers.

Currently, interchange fees are charged based on a simple number: the entire amount of a card transaction. This law creates multiple layers of complexity by requiring payment transactions to include detailed information about each tax charged by a local jurisdiction in Illinois as well as gratuities. Implementation will cause a system that currently operates on interstate and global standardization to process transactions in mere milliseconds to grind to a near halt.

Consumers in our country enjoy a variety of credit and debit card products to meet their specific needs and enjoy the convenience of near-instantaneous payments online and in our Illinois-based brick and mortar merchants. Section 150 of HB 4951 will disrupt that seamless consumer experience. While we believe that much of this law is unimplementable, if it were somehow implemented it would force local merchants and their financial institutions to employ antiquated, costly, and inconvenient workarounds that would complicate and slow down commerce in Illinois. Online merchants may have an even more disruptive experience, rendering many transactions impossible to complete for Illinois consumers.

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[1] The Illinois Bankers Association is a full-service trade association dedicated to creating a positive business climate for the entire banking industry and the communities we serve. Founded in 1891, the IBA brings together state and national banks and savings banks of all sizes in Illinois. Over 52% of IBA members are community banks with less than $250 million in assets, and over 75% of IBA members are community banks with less than $750 million in assets. Collectively, the IBA represents nearly 90% of the assets of the Illinois banking industry, which employs more than 105,000 men and women in over 5,000 offices across the state.

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Section 150 also makes consumers less secure in the payments system by diverting resources to pad the bottom lines of big-box stores, and by requiring personal information to be either collected and preserved by merchants or passed through virtual channels.

The costs of this law will be substantial without providing related benefits to consumers. A recent proposal in Massachusetts, which did not pass, would have required sales tax to be separated on every transaction and then remitted directly to the state. A study of this proposal determined that implementing a daily sales tax collection system would cost businesses in that state about $1.2 billion in one-time, non-recurring costs and an additional $28 million in annual recurring costs, and cost estimates have only increased since then.

Similar proposals have been introduced by retailers in 25 states, all of which have been roundly rejected. Three states have agreed to conduct further studies on this issue, and we believe that Illinois should follow a similarly prudent path: strike these provisions of HB 4951 and study its potential effects on Illinois consumers. We respectfully urge you to issue a line-item veto of the Interchange Prohibition Act contained in Section 150 of HB 4951 and consider further study of this issue in a manner that does not disrupt Illinois commerce and ensures that all interested parties – including Illinois consumers, small businesses, and local financial institutions – have an opportunity to be heard.

Respectfully,

Benjamin Jackson

Ben Jackson
Executive Vice President