

# A Comprehensive Guide to Understanding Convenience Fees, Surcharges and Services Fees



# Executive Summary

This white paper provides credit card payment processing merchants a comprehensive guide to understanding different types of consumer credit card fees that can be levied by merchants on consumer payments. The information provided helps determine whether these fees can be charged to consumers to reduce payment processing costs. This document assists in clarifying the differences between Convenience fees, Surcharges and Service fees, and provides information related to the card brand rules for each fee type and identifies the merchant industries that can levy each type of fee. At the end of this paper, the user will be presented with a FAQs section with answers to common questions related to these types of credit card fees. Documentation from the different credit card brands (That is, card brand merchant operating guides, Convenience Fee/Service Fee and Surcharge rules) was used to validate and summarize the content provided.

\*Information includes requirements based upon state and card brand rules as of January 2020. This information is subject to change and should be monitored for current requirements.



## Introduction

Due to the vast set of rules, risks, penalties and programs adopted by each of the credit card brands over the years, it can be intimidating for merchants to want to understand different fee programs that help reduce the cost of credit card payments. However, the rules and risks associated with these credit card fees appear more complicated than they really are. With a little patience and planning, merchants can fully understand what is required to assess these fees to produce savings. After understanding what is required to process these fees, merchants can assess their respective payment processing needs to devise a strategy and leverage these fees within different payment channels.

The following sections provide merchants with a comprehensive explanation on the different types of credit card fees that could be leveraged to reduce the cost of processing credit card payments.

## Convenience Fees

### What is a Convenience Fee?

A convenience fee is a charge passed on to customers for the privilege of paying for a product or service using an alternative payment method that is not standard for a business. A business that traditionally accepts cash or checks for transactions but also offers credit card payments for convenience may charge an additional fee for that convenience.

For example, a movie theater typically sell tickets face-to-face at the box office. However, if the movie theater provide customers an alternative option to pay by phone using a credit card, the theater could charge a convenience fee. The convenience fee is charged not for using a credit card, but for the privilege of using the pay-by-phone option.

Although Visa®, Mastercard® and American Express® support convenience fee programs for most business, certain exclusions apply. A business should check with their respective merchant services acquirer to inquire about qualification for each of the available consumer credit card fee programs.

The convenience fee and service fee terms are generally used interchangeably. However, both terms refer to separate card programs that are subject to different card brand rules.

## Service Fees

### What is a Service Fee?

A service fee is a type of convenience fee program with a modified set of rules. The program is also restricted to merchants within specific merchant category codes (MCC) under education and government areas. American Express, Visa and Mastercard offer this type of fee program to education and government merchants. Each card brand requires a slightly different set of rules to be followed when processing this type of convenience fee (see card brand rules below). Visa refers to the Education/Government Convenience fee program as the "Service Fee" program while Mastercard and American Express call it "Convenience fee program" regardless of merchant category code.

The main difference between a convenience fee and service fee program (besides card brand naming conventions) is that the service fee program can only be used by certain limited qualifying merchants.

### A look at general Convenience Fee rules per card brand

The general rules for convenience fees vary per card brand. The following list covers the general convenience fee rules for Visa, Mastercard, Discover and American Express.

### Visa General Convenience Fee Rules:\*

\*[usa.visa.com/dam/VCOM/download/about-visa/visa-rules-public.pdf](https://usa.visa.com/dam/VCOM/download/about-visa/visa-rules-public.pdf)

- No registration is required for charging a convenience fee under the general rules. Merchants are subject to follow the card brand rules regarding convenience fees
- State and/or Local laws may prohibit merchants from assessing convenience fees. Merchants should consult their legal counsel for restrictions
- A **general convenience fee** cannot be assessed in a face-to-face environment
- The general convenience fee can be charged for a bona fide convenience in the form of an alternative payment channel (That is, mail, telephone and eCommerce) outside the merchant's customary payment channels (That is, not solely for the acceptance of the card)
- The convenience fee must be disclosed clearly to the cardholder as a charge for the alternative payment channel convenience
- The convenience fee must be disclosed before the completion of the transaction and the cardholder is given the opportunity to cancel
- The general convenience fee cannot be charged, if the merchant operates exclusively in a Card-Not-Present (CNP) environment
- The general convenience fee must be charged only by the merchant that provides goods or services to the cardholder
- The general convenience fee amount must be a flat or fixed amount, regardless of the value of the payment due
- The fee must be applicable to all forms of payment accepted in the payment channel
- The general convenience fee must be included as part of the total amount of the transaction (combined into one transaction)
- The convenience fee is not required to be printed on a transaction receipt
- The general convenience fee must not be charged on a recurring or installment transactions. Examples of recurring charges include, but are not limited to, insurance premiums, subscriptions, internet service provider monthly fees, membership dues and utility charges



### Visa Service Fee Program Rules:\*

\*[usa.visa.com/dam/VCOM/download/about-visa/visa-rules-public.pdf](https://usa.visa.com/dam/VCOM/download/about-visa/visa-rules-public.pdf)

- Merchant registration is required for the Visa Service Fee program
- State and/or Local laws may prohibit merchants from assessing convenience fees. Merchants should consult their legal counsel for restrictions
- The fee must be disclosed clearly to the cardholder as a charge for the alternative payment channel convenience
- The fee must be disclosed before the completion of the transaction and the cardholder is given the opportunity to cancel
- The service fee can be charged by a limited number of merchants under certain category codes (For example, Colleges/Universities, Courts Fines, Misc. Government and Taxes)
- The fee can be charged on in-person payments or recurring/installment payment transactions. Examples of recurring charges include, but are not limited to, insurance premiums, subscriptions, internet service provider monthly fees, membership dues and utility charges
- The payment and service fee must be submitted as two separate transactions when using a third-party to charge the fee for card not present transactions. In all other scenarios, a single transaction can be submitted
- A variable service fee may be charged to consumer credit and commercial transactions
- The fee can be charged by the merchant or third-party service provider that provides goods or services to the cardholder
- The fee amount can be a flat amount, percentage, or tiered, based on the transaction amount
- The service fee may be different for each payment type (That is debit cards, credit cards, ACH or eCheck)
- The service fee is not required to be printed on a transaction receipt
- For Debit, Credit and Commercial cards, the service fee must be the same for all consumer and commercial cards regardless of card brand type (For example, Visa, Discover and MC and so on)
- The fee can differ across payment channels (For example, Web, phone, point-of-sale (POS))



### **Mastercard General Convenience Fee Rules:\***

\*Mastercard Rules – 19 December 2019 Guide

- No registration required for charging a convenience fee under the general rules. Merchants are subject to following the card brand rules regarding convenience fees
- The convenience fee can be charged for a bona fide convenience in the form of an alternative payment channel (That is, mail, telephone, eCommerce) outside the merchant's customary payment channels (That is, not solely for the acceptance of the card)
- The fee can be charged on in-person payments, card-not-present payments, or recurring/ installment payment transactions. Examples of recurring charges include, but are not limited to, insurance premiums, subscriptions, internet service provider monthly fees, membership dues and utility charges
- State and/or Local laws may prohibit merchants from assessing convenience fees. Merchants should consult their legal counsel for restrictions
- The Convenience fee can be charged by various merchants under most merchant category codes
- The Convenience fee must be disclosed clearly to the cardholder as a charge for the alternative payment channel convenience
- The Convenience fee must be disclosed before the completion of the transaction and the cardholder is given the opportunity to cancel
- The fee amount must be the same for all applicable forms of payment accepted in the payment channel
- The fee can be charged by the merchant or third-party service provider that provides goods or services to the cardholder
- The fee can be a flat amount, percentage of, or tiered, based on transaction amount. The fee must not discriminate against or discourage the use of Mastercard cards in favor of any acceptance brand deemed by Mastercard to be a competitive brand (That is Visa, Amex and Discover)
- The fee may be combined into one transaction or submitted as two separate transactions
- The convenience fee is not required to be printed on a transaction receipt



## **Mastercard Convenience Fee Program for Education and Government Entities:\***

\*Mastercard Rules – 19 December 2019 Guide

- No registration is required for participating in the Mastercard Government/Education Convenience Fee Program. Merchants using this program are subject to a variation of the general rules regarding Mastercard convenience fees
- State and/or Local laws may prohibit merchants from assessing convenience fees. Merchants should consult their legal counsel for restrictions
- The Convenience fee can be charged by a limited number of merchants under certain category codes (Elementary Schools, Colleges/Universities, Courts Fines, Misc. Government and Taxes)
- The Convenience fee must be disclosed clearly to the cardholder as a charge for the alternative payment channel convenience
- The Convenience fee must be disclosed before the completion of the transaction and the cardholder is given the opportunity to cancel
- The convenience fee can apply to any transaction. It can be applied to in-person, Mail Order/Telephone Order, internet or kiosk
- The fee can be a flat amount, percentage of, or tiered, based on transaction amount. The fee must not discriminate against or discourage the use of Mastercard cards in favor of any acceptance brand deemed by Mastercard to be a competitive brand (That is Visa, Amex and Discover)
- The fee can be charged on in-person payments or recurring/installment payment transactions. Examples of recurring charges include, but are not limited to, insurance premiums, subscriptions, internet service provider monthly fees, membership dues and utility charges
- The fee may be combined into one transaction or submitted as two separate transactions. For education/government merchants, submitting the convenience fee as a separate transaction is highly recommended
- The convenience fee is not required to be printed on a transaction receipt
- The convenience fee may be different for each payment type. For example, the convenience fee for consumer debit and commercial debit cards can be different than the convenience fee assessed for consumer credit cards and commercial credit cards; provided the convenience fee for consumer credit and commercial credit cards are the same
- The convenience fee cannot be higher than any other card-based payment
- The fee can differ across payment channels (For example, POS, Web and phone)
- The fee can be charged by the merchant or third-party service provider that provides goods or services to the cardholder

## **American Express General Convenience**

**Fee Rules:**\* \*American Express Merchant Regulations – U.S. 2018 Guide

- No registration required for charging a convenience fee under the general rules. Merchants are subject to following the card brand rules regarding convenience fees
- State and/or Local laws may prohibit merchants from assessing convenience fees. Merchants should consult their legal counsel for restrictions
- The Convenience fee can be charged by various merchants under most merchant category codes
- The Convenience fee must be disclosed clearly to the cardholder as a charge for the alternative payment channel convenience
- The Convenience fee must be disclosed before the completion of the transaction and the cardholder is given the opportunity to cancel
- The fee amount must be the same for all applicable forms of payment accepted in the payment channel
- The fee can be charged on in-person payments or recurring/installment payment transactions. Examples of recurring charges include, but are not limited to, insurance premiums, subscriptions, internet service provider monthly fees, membership dues and utility charges
- The fee may be combined into one transaction or submitted as two separate transactions
- The fee amount can be a flat, percentage or fixed amount based on the transaction amount
- The convenience fee is not required to be printed on a transaction receipt
- The fee can be charged by the merchant or third-party service provider that provides goods or services to the cardholder

## **American Express – Convenience Fee Program for Education and Government Entities:**

\*American Express Merchant Regulations – U.S. 2018 Guide

- No registration required for charging a convenience fee. Merchants are subject to following the card brand rules regarding convenience fees
- State and/or Local laws may prohibit merchants from assessing convenience fees. Merchants should consult their legal counsel for restrictions
- The Convenience fee can be charged by a limited number of merchants under certain category codes (Schools, Colleges/Universities, Courts Fines, Misc. Government)
- The Convenience fee must be disclosed clearly to the cardholder as a charge for the alternative payment channel convenience
- The Convenience fee must be disclosed before the completion of the transaction and the cardholder is given the opportunity to cancel
- The fee amount must be the same for all applicable forms of payment accepted in the payment channel
- The fee can be charged on in-person payments or recurring/installment payment transactions. Examples of recurring charges include, but are not limited to, insurance premiums, subscriptions, internet service provider monthly fees, membership dues and utility charges
- The convenience fee must appear as two separate charges on the cardmember's statement. Program Merchants must obtain separate authorizations and approval codes for each of the payment charge and the convenience fee
- The fee amount can be a flat, percentage or fixed amount based on the transaction amount
- The convenience fee is not required to be printed on a transaction receipt
- The fee can be charged by the merchant or third-party service provider that provides goods or services to the cardholder

### **Discover General Convenience Guidelines:\***

\*Discover Merchant Operating Regulations  
R11.1 General Requirements Guide

Discover has not published specific rules for handling convenience fees when processing payment transactions using a Discover card. As a result, the only Discover guideline provided for handling fees is under the Section 2.4 of the Discover's Merchant Operating Regulations R11.1 document.

### **Equal Treatment of Cards with Other Payment Cards; Equal Treatment of Card Issuers**

**"Other than with respect to discounts as permitted in Section 2.5 (Surcharge), merchants may not institute or adopt any practice, including any discount or in-kind incentive, that unfavorably discriminates against or provides unequal and unfavorable treatment of any Issuer, Cards operating on the Discover network versus cards operating on other payment networks, or any Person who elects to pay using a type of Card (For example, credit, debit, prepaid) versus any payment card of the same type that you accept (except for any proprietary payment card issued by you or any payment card issued under a formal co-branding relationship between you and a card issuer), except to the extent such restrictions are prohibited by Requirements of Law or permitted as set forth in Section 5.11."**

The statement above requires the merchant to not discriminate against the use of the Discover card. Not charging a convenience fee for a Visa transaction but assessing one for Discover, would violate this rule. Merchants can comply with the Discover requirements for convenience fees by following the Visa Convenience Fee general rules.

### **Recommended Convenience Fee Guidelines for Discover Transactions:**

- No registration required for charging a convenience fee under the general rules
- State and/or Local laws may prohibit merchants from assessing convenience fees. Merchants should consult their legal counsel for restrictions

- The fee can be charged on in-person payments or recurring/installment payment transactions
- The Convenience fee can be charged for a bona fide convenience in the form of an alternative payment channel (That is, mail, telephone, eCommerce) outside the merchant's customary payment channels (That is, not solely for the acceptance of the card)
- The Convenience fee must be disclosed clearly to the cardholder as a charge for the alternative payment channel convenience
- The Convenience fee must be disclosed before the completion of the transaction and the cardholder is given the opportunity to cancel
- The convenience fee can apply to any transaction. It can be applied to in-person, Mail Order/Telephone Order, internet or kiosk
- The fee can be charged by the merchant or third-party service provider that provides goods or services to the cardholder
- The fee amount must be a flat or fixed amount, regardless of the value of the payment due
- The fee must be applicable to all forms of payment accepted in the payment channel
- The fee must be included as part of the total amount of the transaction (combined into one transaction)
- The convenience fee is not required to be printed on a transaction receipt
- The fee can be charged on in-person payments or recurring/installment payment transactions. Examples of recurring charges include, but are not limited to, insurance premiums, subscriptions, internet service provider monthly fees, membership dues and utility charges

## Surcharges

### What is a Surcharge Fee?

To offset credit card fees, a merchant can levy a surcharge. A surcharge is not a convenience fee. A convenience fee is levied by a merchant for offering customers the privilege of paying with an alternative non-standard payment method. Merchants can process convenience fees in all 50 states. A surcharge is levied by a merchant for customer purchases made with a credit card. The surcharge covers the merchant's credit card fees associated with a transaction. The surcharge can be applied to all credit card payments for a specific card type or to specific categories of credit card products. A primary or secondary payment channel is not needed to

institute surcharges. However, not every state allows surcharges. The rules related to surcharges are complex. Merchants ought to consult their respective merchant account acquirer to understand all the surcharge rules before charging this fee. Credit card surcharging is regulated and prohibited in certain states. You should consult with an attorney to discuss any prohibitions, restrictions, or additional requirements in your state.

### A look at general surcharge rules per card brand

The rules for surcharge fees vary per card brand. The following section covers the surcharge rules for Visa, Mastercard, Discover and American Express.



## Visa Surcharge Rules

\*Visa Core Rules and Visa Product and Service Rules – October 2019

- Merchants must notify Visa and their acquirer 30 days before they begin surcharging
- The surcharge amount may not exceed four percent (even in cases where the merchant's average discount rate exceeds four percent)
- Surcharge fees can be assessed by merchants under various merchant category codes.  
No industry restrictions
- State and/or Local laws may prohibit merchants from assessing surcharge fees. Merchants should consult their legal counsel for restrictions
- U.S. region merchants may surcharge Visa Credit Cards at the brand level or at the product level. A brand-level surcharge must be applied equally to all Visa Credit Cards and cannot be greater than the applicable surcharge cap. A product-level surcharge may be applied on a Visa Credit Card product and may not exceed the applicable surcharge cap for that product type. Surcharging practices are subject to the "Level playing field" limitations listed below
- **Level Playing Field Restrictions:** Limitations include brand surcharge restrictions and the merchants' costs of accepting those credit cards:
  - If the merchant accepts a competing credit card brand that is more expensive than Visa or the competing card brand limits the merchant's ability to surcharge credit cards, the merchant may surcharge Visa credit cards only in the same manner as permitted under the competing card brand credit card rules
  - If the merchant accepts a competing credit card brand that prohibits the merchant from surcharging in a particular channel of commerce (That is, either face-to-face or non-face-to-face), the merchant may not surcharge Visa credit cards unless it also surcharges the competing credit card brand regardless of the cost of the card to the merchant
- **Card Type Restrictions:** Merchants are not permitted to surcharge Signature and PIN Debit/Prepaid transactions
- **Credit Refund Restrictions:** The surcharge must be returned on Credit/Refund Transactions
- The surcharge must be included as part of the total amount of the transaction (combined into one transaction)
- Merchants are required to notify customers about the surcharge on credit card purchases before customers make payments. This notice must be posted at the store entrance and at the point of sale. In an online environment, this notice must be posted on the first page referencing credit card brands
- Surcharges can be applied only to USA card holders (Visa, MC, Discover and Amex) for CP and CNP transactions. Visa's Operating Regulations prohibit surcharging outside the U.S., unless a local law or variance requires merchants be permitted to engage in the practice
- Merchants must disclose surcharge fees on every receipt – in-store and online
- The surcharge amount must be included in the Network Authorization Request and in Settlement

## Mastercard Surcharge Rules

\*Mastercard Rules – 19 December 2019 guide

- Merchants must notify Mastercard and their acquirer 30 days before they begin surcharging
- The surcharge amount may not exceed four percent (even in cases where the merchant's average discount rate exceeds four percent)
- State and/or local laws may prohibit merchants from assessing surcharge fees. Merchants should consult their legal counsel for restrictions
- Surcharge fees can be assessed by merchants under various merchant category codes. No industry restrictions
- U.S. region merchants may surcharge Mastercard Credit Cards at the brand level or product level. A brand-level surcharge must be applied equally to all Mastercard Credit Cards and cannot be greater than the applicable surcharge cap. A product-level surcharge may be applied on a Mastercard Credit Card product and may not exceed the applicable surcharge cap for that product type. Surcharging practices are subject to the "Level Playing Field" limitations listed below
- **Level Playing Field Restrictions:** Limitations include brand surcharge restrictions and the merchants' costs of accepting those credit cards:
  - If the merchant accepts a competing credit card brand that is more expensive than Mastercard or the competing card brand limits the merchant's ability to surcharge credit cards, the merchant may surcharge Mastercard credit cards only in the same manner as permitted under the competing card brand credit card rules
  - If the merchant accepts a competing credit card brand that prohibits the merchant from surcharging in a particular channel of commerce (That is, either face-to-face or non-face-to-face), the merchant may not surcharge Mastercard credit cards unless it also surcharges the competing credit card brand regardless of the cost of the card to the merchant
- **Card Type Restrictions:** Merchants are not permitted to surcharge Signature and PIN Debit/Prepaid transactions
- **Credit Refund Restrictions:** The surcharge must be returned on Credit/Refund Transactions
- The surcharge must be included as part of the total amount of the transaction (combined into one transaction)
- Merchants are required to notify customers about the surcharge on credit card purchases before customers make payments. This notice must be posted at the store entrance and at the POS. In an online environment, this notice must be posted on the first page referencing credit card brands
- Surcharges can be applied only to USA card holders (Visa, MC, Discover and Amex) for CP and CNP transactions. Visa's Operating Regulations prohibit surcharging outside the U.S. unless a local law or variance requires that merchants be permitted to engage in the practice
- Merchants must disclose surcharge fees on every receipt – in-store and online
- The Surcharge amount must be included in the Network Authorization Request and in Settlement

### **Discover Surcharge Fee Guidelines:\***

\*Discover Merchant Operating Regulations  
R11.1 General Requirements guide

- A merchant may assess a surcharge on a card sale provided that (a) the amount of the surcharge does not exceed the merchant fee paid to Discover for the card sale and (b) the merchant also assesses surcharges on card sales conducted using other cards (For example, credit, debit and prepaid) accepted by the merchant
- State and/or local laws may prohibit merchants from assessing surcharge fees. Merchants should consult their legal counsel for restrictions
- Surcharge fees can be assessed by merchants under various merchant category codes. No industry restrictions
- Merchants must notify Discover and their acquirer 30 days before they begin surcharging
- A surcharge fee may be assessed for CP and CNP transactions
- The amount of the surcharge may not exceed the cost of acceptance for the card sale
- The surcharge is assessed equally on all card sales conducted using the same type of cards (For example, credit, debit and prepaid) or payment methods operating on other payment networks
- The surcharge must be included as part of the total amount of the transaction (combined into one transaction)
- Merchants are required to notify customers about the surcharge on credit card purchases before customers make payments. This notice must be posted at the store entrance and the point of sale. In an online environment, this notice must be posted on the first page referencing credit card brands
- Merchants must disclose surcharge dollar amount as a separate line item after the transaction subtotal and before the total amount of the card sale

- The Surcharge amount must be included in the Network Authorization Request and in Settlement

### **American Express Surcharge Rules**

**Note:** The maximum surcharge amount allowed is four percent of the total transaction amount. However, merchants should calculate the surcharge fee based on their effective transaction rate – that is, the total amount of fees incurred for accepting all types of credit cards, averaged out per transaction. The effective rate can be based on either the previous 12 months or last 30 days.

- As per American Express\*, a merchant must not impose “any restrictions, conditions, disadvantages or fees when the Card is accepted that are not imposed equally on all Other Payment Products, except for electronic funds transfer, cash or check.” [\*American Express Merchant Operating Guide – U.S. – April 2019]
- Due to card type restrictions and Level Playing Field rules associated with the Visa and Mastercard settlement, merchant’s who accept American Express must impose a surcharge amount based on their effective transaction rate for any transactions or card type

Merchants cannot assess a higher surcharge for one card brand than another. Although American Express’ interchange rates for certain industries are higher than those of Visa or Mastercard, the same surcharge fee must be assessed for all cards. Thus, the recommendation to assess the surcharge amount based on the average effective transaction rate across all card types.

At times, merchants may have challenges imposing a surcharge on American Express cards. This may be due to not being able to properly calculate the effective transaction rate for setting the surcharge amount or due to high interchange rates for different card brands/transactions. In this case, merchants who wish to surcharge on permitted card types may not be allowed by their payment processors to accept American Express to remain compliant with American Express Surcharge Rules.

## Summary

The credit card rules and risks associated with assessing convenience fees and surcharges can be intimidating to merchants. This paper provided a comprehensive guide to understand the rules associated with charging convenience and surcharge fees. Understanding the rules for these fees is the first step to determine if a business can levy these types of fees on payment transactions. After this, the merchant should check with their respective merchant account acquirer, payment platform and payment gateway to inquire about available technology solution support for these fees. Not every payment platform or payment gateway is built to process convenience or surcharge fees. It is important to ensure that any solution adopted for the processing of convenience or surcharge fees is processing the fees by following all the rules to comply with the credit card networks and

state requirements. Failure to follow the card brand rules or state requirements may result in temporary or permanent suspension of the merchant payment processing capabilities.

Devising a strategy for properly assessing convenience and surcharge fees, requires not only understanding specific card brand rules but also identifying the right processes to follow to comply with the rules. Merchants should consult their respective merchant account acquirers and payment processors to learn about how existing payment solutions support processing these fees in compliance with the card brands. Understanding and properly assessing convenience and surcharge fees can result in significant savings for business. In many cases, the potential savings for merchants outweigh the complexity associated with convenience and surcharge fees.

## Miguel Gracia – VP Solutions Engineering



Miguel is a Sr. Executive with 30 years of technology experience. His expertise revolves around payment processing solutions, tokenization, Point-to-Point Encryption (P2PE) terminals, Ecommerce, network security and information security within PCI guidelines.

Miguel joined CardConnect® (a Fiserv company) in 2012. He supports the SnapPay Enterprise Sales team and develops product solutions within the Enterprise Gateway Integration and Support groups. Miguel has completed hundreds of payment processing integrations within the CardConnect gateway. For over 20 years, Miguel has taken lead roles during the design, testing, deployment, and management of secured data networks, PCI data compliance processes and information systems, and IT departments supporting customers in diverse payment processing environments.

Miguel Gracia has an undergraduate degree in Computer Science from the New Jersey City University and a Master of Science in IT Management from the Stevens Institute of Technology.

# Frequently Asked Questions (FAQs)

**Convenience Fee Questions** (\*usa.visa.com/dam/VCOM/download/about-visa/visa-rules-public.pdf, mastercard.us/content/dam/mccom/global/documents/mastercard-rules.pdf)

## **Q: What is a General Convenience Fee?**

**A:** A convenience fee is a charge passed on to customers for the privilege of paying for a product or service using an alternative payment method that is not standard for a business. A business that traditionally accepts cash or checks for transactions but also offers credit card payments for convenience may charge an additional fee for that convenience. Generally not allowed for a face to face transaction.

## **Q: What is a Service Fee?**

**A:** A service fee is a type of convenience fee program with a modified set of rules. The program is also restricted to merchants within specific merchant category codes (MCC) under education and government areas. American Express, Visa and Mastercard offer this type of fee program to education and government merchants. Each card brand requires a slightly different set of rules to be followed when processing this type of convenience fee (see card brand rules below). Visa refers to the Education/Government Convenience fee program as the “Service Fee” program while Mastercard and American Express call it “Convenience fee program” regardless of merchant category code.

## **Q: What is the difference between a General Convenience Fee and a Service Fee?**

**A:** The main difference between a Convenience fee and Service fee program (besides card brand naming conventions) is that the service fee program can only be used by certain limited qualifying merchants (government and education merchants under certain MCCs).

## **Q: Who can assess a Convenience Fee?**

**A:** Any merchant could charge a convenience fee if the fee charged is for the **convenience** of being able to pay using a different payment channel than the merchant’s usual payment channel.

## **Q: Can a General Convenience Fee be charged for in person payments or recurring transactions?**

**A:** No. In person payments or recurring payments cannot assess a convenience fee.

## **Q: Can government or education merchants charge a convenience fee (service fee) for in-person payments or recurring transactions?**

**A:** Yes. Government and education merchants under specific merchant category codes (9311, 8244, 8249, 8220, 9211, 9222, 9399 and 8211 – merchant registration required) can assess a convenience fee for CP, CNP and recurring payment transactions.

## **Q: Can a convenience fee be different for each payment channel (That is, internet or phone and ACH)?**

**A:** Yes. The convenience fee can be different for each alternative payment channel.

## **Q: Can the General Convenience Fee amount be a percentage of the transaction?**

**A:** No. The general convenience fee cannot be set as a percentage of the sale. The convenience fee must be a flat/fixed amount that is assessed to all transactions. Regardless of the dollar amount, each transaction must pay the same convenience fee amount. Only registered Government and Education Payment Program participants (Visa – Service Fee Program) and Convenience Fee Program participants (MC) can set the convenience fee as a flat amount, percentage of or tiered based on transaction amount.

**Q: Can a convenience fee be assessed for internet only merchants?**

**A:** No, a Convenience Fee cannot be assessed by merchants who only accept payment through the internet. A merchant must have multiple payment channels before assessing a convenience fee. The convenience fee cannot be assessed for any transaction completed through the merchant's primary payment channel.

**Q: Can a general convenience fee be assessed by a third-party service provider or a billing company contracted by the merchant?**

**A:** No, the general convenience fee cannot be assessed by a third-party service provider or a billing company except for Visa (Service Fee) Government and Education Payment Program participants. Only the merchant of record rendering the services or products may assess a convenience fee.

**Q: Are kiosks (self-service terminals) considered a card-present channel? Can a convenience fee be assessed for kiosk transactions?**

**A:** Payments made through Kiosks are not considered "in person payments" and a convenience fee can be assessed for this payment channel only if it is considered an alternative payment channel to the merchant's primary payment channel.

**Surcharge questions and answers** – [usa.visa.com/content/dam/VCOM/download/merchants/surcharging-faq-by-merchants.pdf](https://usa.visa.com/content/dam/VCOM/download/merchants/surcharging-faq-by-merchants.pdf) and [mastercard.us/content/dam/mccom/en-us/documents/Merchant\\_Surcharge\\_FAQ.pdf](https://www.mastercard.us/content/dam/mccom/en-us/documents/Merchant_Surcharge_FAQ.pdf)

**Q: What is a Surcharge?**

**A:** A surcharge is an additional fee that a merchant adds on a transaction when a consumer uses a credit card for payment. This fee is charged by the merchant to offset the cost of processing the credit card payment.

**Q: What is the different between a surcharge and a convenience fee? Who can charge a surcharge?**

**A:** A surcharge is a fee added to the cost of a purchase for the "privilege" of using a credit card. A surcharge is a percentage of the value of the sale. Surcharges are typically used to cover the cost of the merchant service charge.

**Q: What should merchants consider when determining whether to assess a surcharge on card transactions?**

**A:** Before choosing to surcharge, U.S. merchants may want to consider several factors, including:

- i) The potential impact on customers' experience
- ii) What competitors might be doing
- iii) What information must be disclosed to customers and how
- iv) The cost of credit cards and other forms of payment

**Q: What process must a merchant follow before assessing surcharge fees?**

**A:** A merchant that elects to levy a surcharge on payment transactions must provide a specific card brand (For example, Visa and Mastercard) and their merchant account acquirer with a minimum of thirty (30) days advance written notice. The merchant can visit each of the Card brand websites to submit a surcharge registration application for assessing the fee. The merchant's account acquirer may be able to facilitate this registration process on behalf of the merchant. There is also a cap on the level of the surcharge that a merchant may apply. This cap is defined as the average merchant discount rate that a merchant pays for credit card acceptance across all card types. In addition, a merchant must disclose their surcharging practices to their customers at the point of sale and on the customer's receipt.

**Q: How can merchants correctly document surcharges?**

**A:** The Card Brands require the merchants' point of sale systems to include the surcharge amount printed as a line item on the receipt and report the surcharge amount with each transaction back to the payment processor and card networks. Before implementing surcharging, merchants ought to check with their respective payment processor and payment gateway to ensure the proper surcharging reporting is supported.

**Q: Are there any limits on the fee amount that a merchant can charge?**

**A:** Yes. U.S. merchants may assess a surcharge that does not exceed the merchant discount rate for the applicable credit card surcharged. There is also maximum surcharge cap set at four percent (only applicable for merchants whose card brand cost is greater than four percent). Thus, if a merchant's merchant discount rate for credit cards is 2.50 percent, the cap on the surcharge the merchant may charge a consumer is 2.50 percent, not four percent. The four percent cap only becomes relevant in the rare instances where a merchant is paying more than four percent for credit card acceptance.

**Q: How does a merchant calculate the fee cap for the brand level surcharge that can be applied to cards?**

**A:** The surcharge cap is calculated based on the average effective interchange rate plus the average of all fees imposed by the card network and the acquirer on the merchant for the preceding one or 12 months.

**Q: How does a merchant determine the Credit Surcharge Cap for a card product?**

**A:** If the merchant chooses to surcharge at the product level, the merchant must determine the Credit Surcharge Cap for the product type for which it is surcharging. This is calculated by looking at the merchant's discount rate applicable to the credit card product, less the cap for debit transactions set under the Durbin Amendment. The surcharge amount must be the same for all credit cards of the product type that the merchant has chosen to surcharge, if surcharging at the product level.

**Q: Is a merchant permitted to surcharge debit cards?**

**A:** No. Merchants are only permitted to surcharge consumer and corporate credit cards.

**Q: Can a surcharge be assessed on debit card transactions where the debit cardholder chooses "credit" on the POS terminal?**

**A:** No. The ability to surcharge only applies to purchases made with a credit card and only under certain conditions.

**Q: Can a merchant select what type of credit cards to assess the surcharge to?**

**A:** U.S. merchants have the option to add a surcharge at the "brand level" to all credit card transactions, or to particular types of credit card transactions at the "product level" (For example, Visa Traditional, Visa Traditional Rewards and Visa Signature) but not both.

**Q: How can a merchant determine if a card is a debit card?**

**A:** Debit cards are visually identifiable with the "Debit" word mark on the front of the card and/or in the hologram. In addition, debit cards are electronically identifiable by BIN number. A merchant can utilize a BIN file (provided by the merchant payment gateway or acquirer) to identify card types/products or can utilize a BIN lookup service provided by their respective payment processing gateway.

**Q: Is surcharging permitted in CP and CNP environments?**

**A:** Yes. Card brand rules allow a merchant to surcharge in segments or one segment. The merchant is responsible for complying with state laws that may restrict or prohibit surcharging.

**Q: Can a surcharge be levied in countries other than the U.S.?**

**A:** No. The card brand surcharge rules only apply to merchants in the U.S. and U.S. territories. Merchants in other countries should consult the regional card brand rules and applicable laws to determine whether surcharging is permitted.

**Q: Does card brands' surcharging allowance take precedence over state laws prohibiting or restricting surcharging?**

**A:** No. Merchants must comply with applicable state or federal laws, including but not limited to state laws that may prohibit or restrict surcharging of credit transactions and federal and state laws regarding deceptive or misleading disclosures.

**Q: Which states have restrictions on surcharging?**

**A:** Credit card surcharging is regulated and prohibited in certain states. You should consult with an attorney to discuss any prohibitions, restrictions or additional requirements in your state. The merchant is responsible for determining whether its practices comply with state law.

**Q: If a merchant operates in a state that restricts surcharging, can they still assess a surcharge for any of their stores that operate in a state that allows surcharging?**

**A:** Yes.

**Q: What are the merchant requirements for notifying customers about surcharging?**

**A:** A merchant must prominently display a clear disclosure of the Merchant's Surcharge policy at the store point of entry or when conducting an e-commerce transaction, on the first page that references Credit Card brands. The disclosure must include a statement that the Surcharge the Merchant imposes is not greater than the merchant discount rate for credit card transactions. Merchants are free to develop their own signage to meet surcharging requirements and are permitted to combine brand messages if more than one credit card brand is surcharged (For example, Visa and Mastercard). For information about the recommended signage verbiage, visit each card brand website. A merchant is responsible for ensuring that its surcharging disclosure also complies with any applicable state or federal laws.

**Q: What is the difference between a surcharge and a convenience fee?**

**A:** A surcharge is any fee charged in connection with a transaction that is not charged if another payment method is used. A convenience fee is a fee charged for the "convenience" of being able to pay using an alternative payment channel outside the merchant's customary payment channel.

**Q: Can a merchant charge a surcharge and a convenience fee?**

**A:** No. If a merchant chooses to surcharge credit transactions, they cannot assess a convenience fee.

**Q: Does a surcharge need to be printed as a separate line item on the customer's receipt?**

**A:** Yes, the merchant must provide clear disclosure of the amount of the surcharge on the receipt. The disclosure could be as simple as a line item after the subtotal with a description indicating the amount is a surcharge.

**Q: Does the surcharge amount gets returned if a transaction is reversed?**

**A:** On a refunded transaction, the purchase amount plus the surcharge must be credited to the cardholder. On a partial return the corresponding percentage of the surcharge should be returned.

**Q: Does the surcharge amount need to be included if a transaction had a surcharge applied?**

**A:** On a chargeback, the purchase amount plus the surcharge must be credited to the cardholder. On a partial chargeback, the corresponding percentage of the surcharge should be returned.

**Q: Does the ability to surcharge apply to merchants globally?**

**A:** No. The rules related to the surcharging of credit cards apply to purchases made in the U.S. and U.S. territories only. Surcharging remains prohibited outside the U.S., with certain limited exceptions. For further information, please the website of each card brand.

**Q: Where can merchants find additional information on surcharging credit cards?**

**A:** Merchants can find additional information about surcharging by visiting the following Visa/ Mastercard card brand links:

- i) Mastercard: [mastercard.us/en-us/merchants/get-support/merchant-surcharge-rules.html](https://mastercard.us/en-us/merchants/get-support/merchant-surcharge-rules.html)
- ii) Visa: [usa.visa.com/support/small-business/regulations-fees.html](https://usa.visa.com/support/small-business/regulations-fees.html)



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