



**Innovative Payments Association**

110 Chestnut Ridge Road

Suite 111

Montvale, NJ 07645

February 17, 2021

The Honorable David B. Hawk  
Tennessee House of Representatives  
425 Rep. John Lewis Way N.  
Suite 648 Cordell Hull Bldg.  
Nashville, TN 37243

The Honorable John Stevens  
Tennessee Senate  
425 Rep. John Lewis Way N.  
Suite 710 Cordell Hull Bldg.  
Nashville, TN 37243

The Honorable Dennis Powers  
Chairman  
Banking and Consumer Affairs  
Subcommittee  
Tennessee House of Representatives  
425 Rep. John Lewis Way N.  
Suite 674 Cordell Hull Bldg.  
Nashville TN 37243

The Honorable Paul Bailey  
Chairman  
Tennessee Senate Commerce and Labor  
Committee  
425 Rep. John Lewis Way N.  
Suite 736 Cordell Hull Bldg.  
Nashville, TN 37243

**RE: IPA Opposition – HB 375 & SB 880 (Interchange)**

Dear Rep. Hawk, Chairman Powers, Sen. Stevens, and Chairman Bailey:

The Innovative Payments Association (IPA)<sup>1</sup> is writing today to express our concerns with HB 375 and SB 880 (the bills), which would require that state and local taxes and fees be excluded from the calculation of interchange fees. The IPA is concerned about the potential unintended consequences of the bills for Tennessee consumers and retailers. The IPA appreciates the opportunity to discuss our concerns with the bills with the goal of having a dialogue with you and your staff.

If enacted, the bills would require the creation and implementation of completely new systems and processes, software, and hardware throughout the electronic payments value chain. This would be an enormous and costly undertaking that retailers would have to help pay for. Until the proper infrastructure could be built and deployed, many small and medium-sized retailers would be forced to conduct two transactions for each customer to comply with the provision of the bills – one for the cost of the product or service and another for state and local tax, adding additional time and friction for both the customer and retailer.

Small retailers, in particular, would be hit hard by the impacts of these bills. They often do not have sufficient volume to offset the costs the new system would impose, which would likely erase any potential savings in interchange assessments. They may also be forced to pass the

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<sup>1</sup>The IPA is a trade organization that serves as the leading voice of the electronic payments sector, including prepaid products, mobile wallets, and person-to-person (P2P) technology for consumers, businesses and governments at all levels. The IPA's goal is to encourage efficient use of electronic payments, cultivate financial inclusion through educating and empowering consumers, represent the industry before legislative and regulatory bodies, and provide thought leadership. The comments made in this letter do not necessarily represent the position of all members of the IPA.



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increased costs along to the consumer or stop accepting electronic payments altogether, harming those who have been impacted the hardest by the COVID-19 epidemic in particular.

This would also hamper the acceptance of card products, including prepaid cards. Prepaid cards serve a crucial function in disbursing financial payments and government benefits. Prepaid cards have been a trusted method for the disbursement of federal benefits for at least the last 10 years. In 2018, the federal government disbursed \$137 billion<sup>2</sup> in benefits using prepaid cards, including Social Security, veterans' benefits, and child support. In fact, federal law mandates that all federal benefits be delivered electronically.

In particular, prepaid cards' crucial function in delivering payments has been well demonstrated during the COVID-19 pandemic. The federal government delivered approximately 5.8 million<sup>3</sup> Economic Impact Payments (EIPs) that were authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act via prepaid card and approximately 8 million<sup>4</sup> EIPs that were authorized under the Consolidated Appropriations Act, 2021 via prepaid card.

In addition to the federal government, every state in the Union uses prepaid cards to distribute benefits such as Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance to Needy Family (TANF) benefits, and unemployment insurance to their citizens.

Given this, now more than ever, it is critical that Tennessee consumers not be limited in their ability to utilize electronic payments.

Finally, the IPA notes that, if the systems are eventually put in place to separate the sales tax from the cost of the good or service, the sales tax portion still has to be processed through the existing payments infrastructure. It is still subject to all of the processes and protections granted to the underlying cost of the good or service — but, by virtue of this legislation, the payments system would be prohibited from recovering the cost of providing this service through the existing payment's structure (i.e., interchange).

The IPA and our members regularly work with policymakers, regulators, law enforcement, and merchants to identify, mitigate, and resolve consumer related issues. We would welcome the opportunity to work with you and your colleagues on this issue. However, if the bills are not rejected, the IPA is concerned that, due to the consumer restrictions and costs that would be imposed by the bills, both Tennessee consumers and retailers would be severely harmed.

In closing we encourage you and your colleagues to reject the bills for the benefit of all Tennessee consumers and retailers. The IPA appreciates the opportunity to share our views on

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<sup>2</sup> <https://www.federalreserve.gov/publications/2019-september-prepaid-card.htm>

<sup>3</sup> <https://home.treasury.gov/system/files/136/EIP-data-update.pdf>

<sup>4</sup> <https://www.irs.gov/newsroom/treasury-issues-millions-of-second-economic-impact-payments-by-debit-card>



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the bills. If you have any questions or wish to discuss any issues, please contact me directly at the number listed below or at [btate@ipa.org](mailto:btate@ipa.org).

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Tate', is written over a horizontal line.

Brian Tate  
President and CEO  
IPA  
(202) 507-6181