We Answer Business Owners Questions About Surcharging

As a business owner, you are reading this post because you accept credit cards, and are tired of paying for someone else's perks with your margins. Surcharge fees are one way you can shift credit card processing costs to the cardholder who chooses the convenience and perks of their rewards card. As experts in surcharging, business owners frequently ask us questions about what surcharging is and how to get started with surcharging. For that reason, we wrote this post to answer the typical questions we hear.

Q: What is credit card surcharging?
A: A surcharge fee refers to an additional fee that you add as a merchant to a customer's bill when they choose to use a credit card for payment.

Q: Am I legally allowed to add a surcharge to credit card transactions?
A: If you are a merchant in the United States or its territories, and your business is not in Connecticut or Massachusetts, you are legally permitted to add a surcharge to certain credit card transactions. However, you are required to comply with card brand, consumer disclosure, and various other requirements.

Q: What factors should I consider before I choose to surcharge?
A: Before you decide to apply a surcharge fee on credit card transactions, you should consider:
how it may impact your customers' experience what your competitors in the industry are doing card network surcharging rules, legal requirements for your state and your profession accounting implications staff training

Q: What are the rules regarding disclosure to customers?
A: If you choose to apply a surcharge fee, you must disclose it as a surcharge fee and inform customers about it at the point of entry and the point of sale – whether online or in-store – as well as on every receipt as a dollar amount.

Q: Are there any restrictions on surcharging in my state?
A: Could be. At present, ftwo states have surcharging restrictions in the United States. These are Connecticut and Massachusetts. Also, certain professions have guidance around charging fees on credit card payments.

Q: Can a surcharge be added to both credit card and debit card transactions?
A: No. Surcharge fees are permitted only on credit card transactions. Purchases made through debit cards or prepaid cards cannot be surcharged.

Q: Is surcharging allowed when the customer using a debit card chooses "credit" at the POS terminal?
A: No. a Surcharge fee cannot be added to debit card transactions in this situation.

Q: Are any limits imposed on the amount of surcharge?
A: Yes. You are allowed to assess a credit card surcharge only up to the merchant discount rate for the applicable credit card or up to a maximum of 4%.

Q: Am I allowed to surcharge one credit card brand and not the others?
A: Yes. You have to choose a brand or product level surcharging. A brand level surcharge is where one fee is charged across all credit cards from a card brand. Product level surcharging allows you to pick and choose the types of cards to surcharge. (Business credit cards vs. consumer charge cards)

Q: How is a surcharge different from a convenience fee?
A: The surcharge is the fee a customer pays simply for using a credit card, which is a percentage of the transaction amount (not exceeding 4%). A convenience fee, on the other hand, is only allowed on online payments and phone payments ("Card Not Present" transactions), and it is a fixed amount and not a percentage.

Q: If I have store operations in multiple states, which include some states where surcharging is prohibited. Does this mean I am not allowed to surcharge in any state where I operate?
A: It will depend on the rules imposed by the credit card issuer. But in general, credit card companies do not prevent merchants from adding a surcharge fee in states where it is permissible to do so, even when they are prohibited from surcharging in some other states.

Q: Can I apply the surcharge fee on international credit card transactions?
A: No. You can only surcharge on credit card purchases made by your customers in the United States or U.S. territories.

Q: Am I permitted to offer a "cash discount" program?
A: In general, the answer is "No." Cash discount programs are mostly non-compliant since they will typically list the cash price on the shelf, but add a mark-up to it on the point of sale.
If you plan to add a fee above the listed price, you need to comply with the rules set by the card brand. Also, the fee cannot be applied to debit card purchases.
A cash discount program may be compliant when it shows the "cash price" and "credit card price" side by side equally prominently whenever a price is quoted or posted. However, in practice, cash discount programs almost always fail to meet these requirements. This type of cash discounting puts the merchant at risk of inviting fines from the card brand as well as the regulatory authorities.

Q: Can I include the surcharge fee when processing a chargeback?
A: Yes. The chargeback can be for the full transaction amount, including the amount of surcharge.

Q: If I do not disclose the surcharge to a customer at the point of sale, can the credit card issuer pursue compliance?
A: Yes, it can.

Q: Can I apply a different surcharge fee to different credit card transactions?
A: Yes, but you'll have to choose product level surcharging. Product level surcharging allows you to pick and choose the types of cards to surcharge. (Business credit cards vs. consumer charge cards)

Q: Are there other options besides surcharging?
A: Yes, other fee-based options such as site fee and convenience fee allow you to charge a fee on all transactions. If you are a qualifying government entity or financial institution, a service fee can be charged.

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As a business owner and a merchant, we can help you reduce or eliminate credit card processing costs with surcharging. IntelliPay's specialists and our intelligent platform will take care of all the behind-the-scenes requirements.

We ensure that you stay in compliance with the latest changes in surcharging rules from the card brands and shifting laws and regulations. If you are ready to go ahead with surcharging, our support team will be happy to help you make the transition successfully. And, if surcharging isn't right for you, we are experts in convenience, site, service and traditional fee payment processing.

Our omnichannel approach to payment acceptance includes online payments, virtual, on-demand, recurring installments, EMV and custom portals. Plus, integrations, APIs, tokenization, Lightbox, Hosted Web pages and POS Terminals provide a complete solution no matter your requirements. We help you solve business, technical and financial challenges.

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