



Surcharging FAQs Updated October 2025

What's Surcharging?

Q: What is a surcharge fee?

A: A surcharge fee is an additional amount added by a merchant to a transaction when a customer uses a credit card for payment. It helps offset processing costs charged by credit card networks and processors.

Q: What is the Difference Between a Surcharge and a Convenience Fee?

A: Convenience fees and surcharge fees are often misunderstood as the same thing but differ legally:

- A surcharge applies to credit card transactions specifically.
- A convenience fee is a flat amount applied only to alternative, nonstandard payment methods such as phone or online payments.

Surcharge fees cannot exceed network or state limits, and are prohibited on debit, prepaid, or stored-value cards.

Surcharge Transactions

Q: What types of cards can be surcharged?

A: Merchants may apply a surcharge to all credit cards regardless of type—consumer, rewards, corporate, or purchase. Debit, prepaid, or stored-value cards cannot be surcharged.

Q: Can debit cards be surcharged?

A: No. Even when processed as “credit,” debit cards remain ineligible for surcharges per federal and network rules.

Q: Can a merchant choose which credit cards to surcharge?

A: No. The surcharge must apply uniformly across all credit card brands and card types used in transactions.

Surcharge Law and Requirements

Q: Is surcharging legal?

A: Yes, for credit card payments. It remains prohibited for debit and prepaid cards. The U.S. Supreme Court’s *Expressions Hair Design v. Schneiderman* (2017) decision recognized that most state no-surcharge bans restrict commercial speech, increasing state-level allowance in following years.

As of October 2025, surcharging is legal in most U.S. states.

Legal Status — October 2025

Q: What is the current legal status of surcharging?

A: Surcharging is legal nationally but tightly regulated by state law and card brand rules.

Prohibited or Restricted States: Connecticut, Massachusetts, Maine, and California.

California bans surcharging under “junk fee” enforcement rules, requiring dual pricing instead.

Special Caps & Requirements:

- Colorado: Surcharge cannot exceed 2% or actual processing cost, whichever is less.
- Texas: Enforcement uncertain—consult legal counsel before applying fees.
- Minnesota, Virginia, and Oklahoma: Undergoing legislative changes in 2025.
- Permitted States: All others generally allow surcharging when disclosures, signage, and network notifications are met. Organizations must verify all local and card network requirements before starting a surcharge program.

Surcharge Maximum Limits**Q: What are the current surcharge maximums?****A:**

Card Brand	Maximum Allowed
Visa	3%
Mastercard	4%
Colorado Law	2% or actual cost

Always apply the lowest applicable cap. Merchants cannot profit from surcharges; they must not exceed the actual card acceptance cost.

Brand-Level and Product-Level Rules**Q: What are the brand-level rules?****A:** At the brand level, surcharges must be:

The same across all issuers within that card brand.

Equal to or lower than the merchant's average discount rate.

Never over the brand's or state's permitted limit.

Q: What are the product-level rules?**A:** At the product level, surcharges:

Must apply equally to all credit cards within that product group.

Cannot exceed the merchant's average discount rate minus the debit interchange

Requirements for Implementing a Surcharge Program**Q: What steps are needed to begin surcharging?****A:** Before surcharging customers:

1. Notify acquirer and card brands at least 30 days before implementation.
2. Update POS and software systems to calculate and disclose surcharges automatically.
3. Calculate the effective rate to set correct surcharge percentages.
4. Prepare and display required signage and customer notices.
5. Ensure full compliance with all state and network regulations.

Disclosure & Customer Notice**Q: What disclosures are required?****A:** Merchants must:

- Display clear signage at entry points and payment counters.
- Itemize the surcharge fee separately on receipts.
- Provide transparent online disclosures prior to checkout.
- Include verbal and written notice for MOTO (mail/telephone) transactions.
- Failure to disclose can cause merchants to lose compliance or face penalties from card network

Important Notes

Q: What else should merchants remember about surcharging?

A:

- Always verify local surcharging regulations.
- Consult legal counsel before updating or launching a surcharge program.
- Never apply surcharges to debit or prepaid cards.
- The 3–4% cap applies to most credit transactions unless stricter state limits exist.
- Display transparent signage and disclosures for every transaction channel.

Recommended Surcharge Disclosure Template

Q: What sample language is recommended?

A:

“We impose a surcharge of [X]% on credit card transactions, which does not exceed our cost of acceptance. This fee does not apply to debit or cash payments.”

Alternative options include dual pricing or brand-specific signs, consistent with current state and card brand rules.