



Compliance Deep Dive: Securing Maximum Cost Recovery

For utility companies, payment processing is not just a financial issue—it is a legal and regulatory challenge. IntelliPay’s solution is engineered to navigate complex card-brand rules (Visa, Mastercard, etc.), state surcharge/service-fee laws, and utility-specific interchange programs so you can maximize cost recovery while maintaining compliance and customer trust.

Service Fee vs. Surcharging: The Crucial Distinction

Understanding the difference between a Service Fee and a Surcharge under current card-brand rules is essential, because it defines which costs you can legally pass to customers and on which card types.

Surcharging

A surcharge is an additional fee added only when a customer chooses to pay with a credit card, specifically to recover the cost of accepting that credit card. Surcharges cannot be applied to Visa or Mastercard debit or prepaid cards, even if they are processed as “credit.”

For Visa in the U.S., the surcharge is capped at the lower of the merchant’s effective credit-card acceptance cost or 3%, and state law may impose tighter limits or additional disclosure rules. Implementing a surcharge program also requires specific advance notices, receipt treatment, and registration/notification steps with the processor and networks, which is why traditional surcharging has been difficult for many governments and utilities to implement.

Service Fee

In card-network terminology, a Service Fee is a dedicated fee structure available only to certain merchant categories such as government, education, and many utilities under MCC 4900, outside of any “no-fees” Utility IRF arrangement. Unlike a classic convenience fee, it is not limited to an alternative or less convenient payment channel; instead, it is an expressly permitted additional charge on eligible card transactions, often assessed by an approved third party on behalf of the agency or utility.

Depending on the specific program and region, a Service Fee may be flat or percentage-based and may be allowed on both credit and debit card payments for qualifying MCCs, subject to card-brand rules and any utility-rate/IRF agreement in place. This structure can allow utilities to recover a larger share of card-acceptance costs while remaining compliant with the Visa Core Rules, Visa Product and Service Rules, and similar network program documentation, although actual recovery may still fall short of a full 100% in some scenarios.

MCC 4900 Qualification: The Foundation of Compliance

The Merchant Category Code (MCC) is a key building block for a compliant utility cost-recovery strategy.

MCC 4900 (Utilities) is the standard code used for eligible electricity, gas, sanitary, and water providers; telecom and cable merchants use other MCCs and are not eligible for the core utility programs tied to MCC 4900. Correct classification under MCC 4900 is generally required to participate in specialized utility interchange programs such as the Visa Utility IRF Program, which historically provided lower interchange in exchange for not charging cardholder fees of any type on Visa transactions.

IntelliPay’s role is to help ensure that your payment structure, including the use of required data elements such as the Merchant Verification Value (MVV) where applicable, and your fee-assessment and disclosure practices align with both MCC 4900 program requirements and any separate Service Fee structure your utility chooses to adopt.

Transparency and Disclosure Requirements

Compliance is not only about whether a fee is allowed, but also how clearly it is disclosed. Card-brand rules and consumer-protection standards require that customers understand the fee before they complete the payment.

IntelliPay's programs are designed to enforce key disclosure expectations, including:

- The fee amount is clearly displayed to the payer before authorization.
- The payer is given a meaningful opportunity to cancel or choose a no-fee payment option before the transaction is finalized.

Handled correctly, this transparency reduces the risk of non-compliance findings and helps maintain trust with customers even when fees are necessary to offset payment-processing costs.

Disclaimer

This material is provided for general information and marketing purposes only and does not constitute legal, tax, or accounting advice. It summarizes card-brand and regulatory concepts at a high level and may not reflect the most current changes to laws, regulations, or network rules. Utilities and other entities should consult their own legal counsel, compliance advisors, and acquiring partners before implementing any surcharge, service-fee, or other cost-recovery programs.