Fee-Based Payment Models Compliance Guide

Dual Pricing, Service Fee, Surcharging, Convenience Fee

IntelliPay®

Executive Summary

Compliant by design. IntelliPay's dual pricing program meets Visa, Mastercard, and all federal and state requirements, giving merchants the confidence to pass processing fees to customers while staying fully protected.

What Is Dual Pricing?

Dual pricing is a compliant payment model that helps businesses reduce processing expenses by passing the cost of card acceptance to customers who choose to pay with a credit or debit card.

To comply with dual pricing requirements, merchants must clearly display two prices before a purchase is made:

- **Cash/Check Price** – the standard price paid by customers using cash or check.
- **Card Price** – the total price paid by customers using a credit or debit card, which includes a 3% adjustment to offset card processing costs.

Amount Due

Total Cost with Card:	$1,030
Total Cost with Cash/Check:	$1,000

Customers are presented with both pricing options upfront and can choose their preferred payment method. The amount charged matches the displayed price for that payment type, ensuring full transparency. No additional fees are added during checkout, eliminating surprises and providing a clear, straightforward payment experience.

> ***Visa's own statement:*** *"A discount for cash is different from a surcharge. The rule states that the posted price must be for cards; however, merchants can provide a lower price for cash acceptance. Discounts for cash are allowed by Visa."*

How IntelliPay's Program Works

Before a customer selects a payment method, IntelliPay's platform or the third-party software IntelliPay integrates with displays both a "Total with Card" and a "Total with Cash." The customer makes an informed choice and is charged the exact price shown for their selection. Nothing is added or changed after payment is initiated.

- Upfront transparency: both prices are shown before payment, never added at the register
- Accurate charging: the customer pays exactly the price displayed for their chosen method
- Transparent labeling: pricing is shown as a cash price and a card price, nothing more.

Visa & Mastercard Compliance

Both Visa and Mastercard permit dual pricing as a compliant cash-discount program. No advance registration is required, and no percentage cap applies.

What Visa and Mastercard Require for Dual Pricing/Cash Discounting

- Card price is the standard or advertised price
- Both prices displayed before payment: not revealed at or after checkout
- System charges the advertised amount: no mid-transaction adjustment
- Must display both the cash and card prices must be displayed at equal size and visibility, across all platforms; neither can be buried in fine print

Entity	Key Requirement	IntelliPay Position
Visa	Card price clearly advertised before purchase, card price is the standard price, both prices display equally	Compliant
MasterCard	Card price is the standard advertised price, must display both prices equally on all platforms	Compliant

Bottom Line for Decision Makers

- **No state bans.** Dual pricing is legal in all 50 states.
- **Preferred by Visa.** Visa classifies dual pricing and dual pricing as its safe-harbor cash-discount model, the most compliant form of differential pricing available.
- **Built-in protection.** IntelliPay's platform or the third-party software it is integrated with prevents the most common compliance failures at the system level.

> *IntelliPay's dual pricing payment model is 100% compliant with Visa, Mastercard, Discover, and American Express, and complies with recent legislation requirements.*

Service Fee

Executive Summary

High processing costs and tight budgets make it hard for public-sector and education organizations to keep accepting cards without cutting somewhere else. Service fee programs were designed to solve that problem for specific MCCs by letting eligible entities pass card costs to payers as a separate fee.

In a service fee model, the full amount owed (tax, fine, bill, tuition) goes to the agency or school, and the service fee goes to a separate account tied to the program. The payer sees both amounts before they commit, so there are no surprises at the end of the transaction.

Who can use service fees?

Service fee programs are not open to every merchant. They are limited to specific merchant category codes (MCCs) such as:

- Government tax, fines, and court MCCs
- Higher education MCCs
- Utility MCC 4900 (electric, gas, water, sanitary)

The table below summarizes the primary MCCs eligible for IntelliPay's service fee programs and the types of transactions they typically cover.

MCC	Category/Entity Type	Covered Transactions
9311	Government Tax Payments	Property tax, income tax, business license tax, special assessments and other payments to government entities
9222	Government - Fines	Traffic tickets, parking fines, code enforcement fines, and other civil or criminal fines.
9211	Government- Court Costs	Court costs, filing fees, restitution, alimony/child support payment processed through count systems.
9399	Miscellaneous Government Services	DMV transactions, permit fees, licensing, fire, police, parks and recreation, and other government service fees.
8220	Colleges, Universities, Professional Schools	Tuition, mandatory fees, room and board, and other higher education charges
8244	Business and Secretarial Schools	Tuition and fees for business, secretarial, and professional training institutions
8249	Trade and Vocational Schools	Tuition and program fees for trade, vocational, and technical schools
4900	Utilities	Utility bills for electric, gas, water, Sanitary, heating oil, propane,and similar essential utility services.

These MCCs are defined by the card brands and enforced by acquirers, so an entity must be boarded under an eligible MCC before a service fee program can be used.

How service fees must be set up

Because service fee programs are a special case, there are some non-negotiable rules:

- The service fee is a separate, clearly labeled amount that is disclosed to the payer before they submit payment and shown clearly on the receipt.
- The fee is tied to specific eligible MCCs and payment types (see chart previous page).
- The payer must see the fee before confirming payment and must be able to cancel instead of accepting the fee; and choose alternative, lower-cost payment methods.
- The program is implemented through the acquirer, which assigns an eligible MCC and configures transaction routing so that service fees are assessed and cleared according to Visa's Service Fee program rules.

IntelliPay's service fee setup is built around these rules. Configuration, routing, and disclosure are handled at the platform level so agencies, schools, and utilities can focus on serving customers, not interpreting card-brand fine print.

Service fees for utilities

Utilities face a unique challenge: customers expect basic services on demand, but card processing costs continue to rise. For qualifying utilities under MCC 4900, Visa's service fee program allows service fees across eligible card payments while the utility still receives 100% of the billed amount.

In practice, that means:

- The customer sees their utility bill amount and a separate service fee before they pay
- The bill amount settles to the utility; the service fee settles to the service-fee account
- Channel and card-type eligibility are configured up front so non-qualifying payments do not receive a service fee
- IntelliPay manages program setup, fee collection, and settlement flows so utilities stay aligned with card-brand and acquirer rules

This approach turns card acceptance into a predictable, zero-cost channel for utilities instead of another budget line to absorb.

> *In a service fee model, the full amount owed (tax, fine, bill, tuition) goes to the agency or school, and the service fee goes to a separate account tied to the program. The payer sees both amounts before they commit, so there are no surprises at the end of the transaction.*

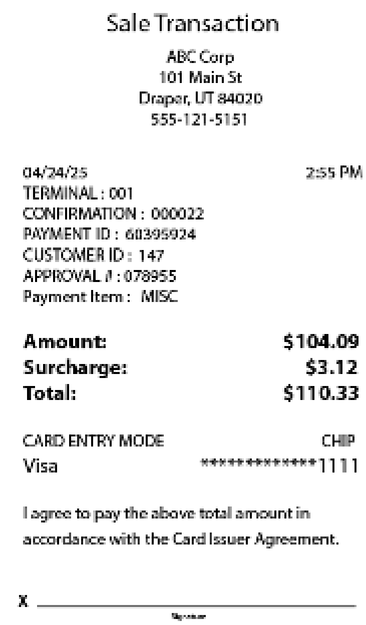
Surcharging

Executive Summary

Why surcharging exists

Interchange and assessment costs rarely move down, and in some markets margins are already tight. Surcharging gives merchants a way to recover some or all of their credit card acceptance cost by adding a fee to eligible credit card transactions, within strict card-brand and state law limits.

Used correctly, surcharging is a rules-driven tool, not a loophole: brands define exactly when, how, and how much you can charge, and several states layer their own requirements on top.



Sale Transaction

ABC Corp
101 Main St
Draper, UT 84020
555-121-5151

04/24/25 2:55 PM
TERMINAL : 001
CONFIRMATION : 000022
PAYMENT ID : 60395924
CUSTOMER ID : 147
APPROVAL # : 078955
Payment Item : MISC

Amount:	**$104.09**
Surcharge:	**$3.12**
Total:	**$110.33**

CARD ENTRY MODE CHIP
Visa ************1111

I agree to pay the above total amount in accordance with the Card Issuer Agreement.

X ______________________________

Where surcharging is allowed (high level)

In the U.S., card brands permit surcharging on credit cards in most states, but there are important caveats.

- Some states and territories either prohibit surcharging or impose special conditions that make it impractical (for example, bans or heavy disclosure rules).
- Other states allow surcharging but cap it below card-brand limits; Colorado’s 2% cap is a frequently cited example.
- If a merchant operates in multiple states, each location has to follow the rules of the state it’s in—there is no single “national” surcharge rule you can apply everywhere

Given how often state surcharge rules evolve, merchants typically consult legal counsel on a state-by-state basis before rolling out surcharges in a new market.

Card-brand rules in plain English

Visa, Mastercard, and other brands frame surcharging in similar ways.

Core requirements include:

- Credit only
- Surcharges can only be applied to credit card transactions.
- Debit and prepaid cards cannot be surcharged, even if they run on the credit “rails.”

Card-brand rules in plain English cont.

Cap tied to your cost

- The surcharge cannot exceed your effective cost of acceptance for that brand (merchant discount rate) and cannot exceed the brand's cap.
- Today, Visa's U.S. cap is 3%; Mastercard's maximum cap is 4%, but most merchants end up using 3% so they can keep a single rate across both brands.

Advance notice

- Merchants must notify their acquirer at least 30 days before they begin surcharging, and historically also had to notify the brands (some networks have simplified or removed their direct notification requirement).
- The notice typically states whether you will surcharge at the "brand level" (all credit cards of that brand) or "product level" (only specific credit products).

Brand-level vs product-level

- Brand-level: a single surcharge applies to all credit cards from that brand (for example, all Visa credit cards).
- Product-level: surcharges apply only to a specific product type (for example, rewards cards or commercial credit), with caps calculated for that product.

You can choose one approach but generally cannot mix brand- and product-level surcharging for the same brand at the same time.

Disclosure and receipts

- Customers must know a surcharge will apply before they decide how to pay; brands call out signage at point of entry and point of sale, and clear notice online.
- The surcharge must appear as a separate line item on the receipt, labeled as a merchant fee or surcharge, and the total charged must include that amount.

On the processing side, acquirers often require that the surcharge amount be sent in a specific field in the authorization and settlement messages so they can track and validate it

> *For merchants who decide that direct surcharging isn't a fit, dual pricing often provides a more customer-friendly alternative while still addressing processing costs.*

How IntelliPay's surcharging program works

IntelliPay's surcharging model is designed to enforce these requirements in the background so merchants don't have to reinvent them.

Key design elements:

Card-type intelligence

- IntelliPay detects credit vs debit vs prepaid and only applies surcharges to eligible credit transactions.
- If a card is identified as debit or prepaid, no surcharge is added, even if the card is presented as "credit."

Configurable caps with guardrails

- Surcharge rates are configured per brand or product type, with hard limits that cannot exceed brand caps or any configured state cap.
- For multi-state merchants, lower state caps can be applied at the location level so that the system automatically enforces the strictest applicable limit.

Brand- and product-level options

- IntelliPay supports both brand-level and product-level surcharging where allowed, aligning configuration with the option selected in your acquirer registration.
- Reporting can distinguish surcharge amounts by brand or product so finance teams can verify that caps and cost-of-acceptance rules are being observed.

Built-in disclosure and receipts

- On-screen messages and printed or emailed receipts clearly label surcharges, show the surcharge amount, and include it in the total authorized.
- For in-person environments, IntelliPay can support the signage and messaging templates needed to meet brand disclosure expectations.

State-aware configuration

- IntelliPay keeps a current view of which states allow surcharging, which impose lower caps, and which prohibit it, and uses configuration to align with those constraints.
- Where surcharging is not allowed or practical, dual pricing or other fee models can be recommended instead.

This combination of rule-based configuration and brand-aligned messaging makes surcharging a structured option rather than an ad-hoc fee, and gives merchants a clear path to recover costs without stepping outside card-brand or state rules

Category	Examples	Notes for Merchants
Generally allows Surcharging	Many states including major hubs like IL, GA, PA	Surcharging permitted when card-brand,rules, disclosure, and caps are followed.
Allows surcharging with limits	Examples: CO, states capping surcharges at actual cost	May cap surcharges below card-brand caps or tie them strictly to the cost of acceptance.
Restricted/legally complex for sur-charging	CT, MA, ME (outright bans) CA see note	Laws, case law, and AG opinions vary; legal review is strongly recommended. **California:** Traditional surcharging is not available. A 2024 state law (SB 478) requires any fee to be included in the price shown upfront — not added at checkout. Violations carry penalties up to $1,000 per instance. Dual pricing and cash discounting work fine because

As of 2026, surcharging is generally permitted in most U.S. states when card-brand rules and disclosure requirements are followed.

IntelliPay's current guidance notes that Connecticut, Maine, Massachusetts, and Puerto Rico prohibit credit card surcharges, that California imposes pricing transparency requirements that make traditional surcharging impractical (see table below), and that states like New York allow surcharging but impose strict disclosure and pricing rules.

For a current, detailed state-by-state breakdown, see IntelliPay's Surcharging Guide and confirm requirements with your legal counsel.

Convenience Fee

Executive Summary

What is a convenience fee?

Persistent inflation and rising card-brand fees have pushed more merchants to look for ways to offset costs. One option you'll hear about a lot is the convenience fee.

A convenience fee is a charge added when a customer uses a different payment channel than your normal one, not just when they use a card. For example, if you usually take payments in person, you might add a convenience fee for customers who choose to pay online or by phone instead.

Convenience fees are not surcharges or service fees. Each of these has its own rules, and mixing them up is an easy way to create compliance problems.

When convenience fees can be used

Card brands designed convenience fees for specific use cases: one-time payments where the customer is truly using an "alternative" channel.

In practice, that usually means:

- You have a customary or primary way you accept payments today (for example, over the counter or by mail).
- You offer another channel, such as web, IVR, or a kiosk, that is easier or faster for the customer.
- You charge a small, clearly disclosed fee for using that alternative channel, regardless of which card brand or payment method they use there.

If you operate only online or only in a card-not-present environment, you generally do not have a "more convenient" channel to justify a convenience fee under typical card-brand rules.

Core card-brand rules (plain English)

Each brand has its own wording, but several themes are consistent across Visa, Mastercard, and others.

Alternative channel, not just card use

- The fee must be tied to an alternative payment channel compared to how you usually take payments, not just to the fact that the customer used a card.
- If your "normal" channel is already online, simply adding a convenience fee to the same online flow typically does not qualify.

Core card-brand rules (plain English) cont.

Flat fee and equal treatment

- Convenience fees are usually required to be a flat dollar amount, not a percentage of the transaction.
- The fee must be applied the same way to all payment methods used in that channel—cards, ACH, checks—so you cannot only charge it on one brand or one card type.

One-time, non-recurring

- Convenience fees are designed for single payments, not recurring subscriptions or installment plans.
- Applying a convenience fee to recurring charges is generally prohibited under card-brand rules.

Clear disclosure and opt-out

- The fee must be disclosed before the customer commits to pay.
- The fee is included in the total transaction amount and appears on the receipt, and the customer must always have the option to cancel or choose another method instead.

Brands and acquirers may add their own wrinkles, especially for government and education programs, so merchants need to check processor and acquirer guidance before turning convenience fees on.

Why convenience fees are tricky

On paper, convenience fees sound simple. In the real world, they get complicated quickly:

- Many organizations use "convenience fee" as a catch-all label for any extra fee on card payments, even when the rules clearly treat it as something different.
- Some states restrict or even prohibit convenience fees or similar add-on fees in certain industries, especially for utilities and essential services.
- The same fee structure can be allowed under one brand's rules and prohibited under another's, depending on the channel, MCC, and use case.

Because of this, convenience fees often create more compliance risk than they solve,especially for public entities and utilities which is why many of them move to service fee model instead

How IntelliPay supports convenience fee models

Where convenience fees make sense and are allowed, IntelliPay can help configure them to align with card-brand and acquirer expectations.

Here's what that looks like:

- Channel-based setup
- Convenience fees are tied to specific channels (for example, online or IVR) that qualify as "alternative" channels.
- Your primary channel remains fee-free, which preserves the "convenience" justification for the fee.

Flat fee configuration

- IntelliPay configures the fee as a flat dollar amount, applied consistently to all payment methods in that channel, so you don't end up with brand-by-brand differences that break the rules.

Clear customer messaging

- On-screen text, IVR prompts, and receipts clearly call out the convenience fee, explain what it's for, and include it in the total.
- Customers always see the fee before they confirm and have the option to choose another method or channel.

Alternatives when convenience fees don't fit

For many government and utility clients, IntelliPay will recommend service fee or dual pricing models instead of relying on convenience fees, because those programs are better aligned with current brand rules and
customer expectations.

This approach keeps convenience fees in their lane—as a narrowly defined tool for specific alternative channels, rather than a general-purpose way to add "extra" to every card payment.

> *Convenience fees were never meant to be a catch-all "extra charge" on card payments; they're a narrowly defined fee for using a truly alternative payment channel. Used outside that lane, they quickly move from cost-recovery tool to compliance risk.*