



The Real Cost of Card Payments

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Accepting Cards for Payment is a Necessity

Accepting payment via card is a fact of life for anyone looking to sell a product or service. Business is online. We read about it everywhere. Ecommerce keeps growing, and more business transactions move to digital every year.

Whether credit or debit cards, merchants can expect to pay fees to a whole ecosystem of service providers and financial institutions when they accept credit or debit cards for payment.

Two Types of Debit Cards

There are two types of debit cards, PIN and signature. The type of debit card accepted determines which network processes the transaction and the cost of the transaction. PIN debit transactions run on PIN debit networks such as STAR, NYCE, Pulse, and Accel. Signature debit transactions run on the Visa and Mastercard networks. Which one costs less depends on your ticket size and pricing.

Signature Debit



Pin Debit



Debit Payment Transaction Cost

When a customer runs their debit card in one of your terminals, are they being asked to sign their name or enter a PIN? The answer could have a significant impact on your margins.

Transaction size and the pricing structure of your processor play the leading roles here.



Card processing costs are lower for Signature debit transactions if your business has \$15 or under average transactions. Conversely, processing costs for a PIN debit transaction are lower if your average ticket is \$15 or more.

Fee Structures and Mark-ups

The difference is the fee structure. Signature debit transactions have higher percentage-based fees and lower transaction-based fees. PIN debit transactions have lower percentage-based fees and higher transaction-based fees. Your processor's mark-up also affects the difference in cost. For signature debit transactions, your processor adds both a percentage and a transaction-based fee.

To determine the actual cost you pay for each debit transaction, you will need to know the type of pricing you have with your processor – tiered or interchange plus.

Interchange-Plus

For example, let's look at a signature debit transaction at interchange-plus pricing. In this example, we'll assume the processor charges 0.15% plus \$0.10 per transaction. To calculate the total fee, add the processor fees to the VISA debit interchange fee. As of April 2023, VISA fees were 0.80% plus a \$0.15 transaction fee. The total processing fee would be 0.95% plus a \$0.25 transaction fee.

For a \$15 sale, total fees equal \$0.39. On a \$100 sale, total fees are: \$1.20

In a PIN debit sale with interchange-plus pricing, let's assume our processor adds a transaction-based mark-up of \$0.12. If the debit network's fees are 0.80% plus a \$0.185 transaction fee, the total fees for this PIN debit transaction are 0.80% plus a \$0.305 transaction fee.

For a \$15 sale, total fees would be \$0.425. For a \$100 sale, the total fees would be \$1.11

Tiered Pricing

With tiered pricing, your processor bundles its markup into a flat rate, so it's harder to see what you're really paying. For example, say the average PIN debit network fee is 0.834% plus \$0.197 per transaction, and your processor charges a PIN debit fee of \$0.18. Your total cost is 0.834% plus \$0.377 per transaction. On a \$15 sale, total fees are about \$0.50. On a \$100 sale, total fees are about \$1.21. The same PIN debit sales cost about \$0.43 and \$1.11 under the interchange-plus example above. That gap is why your pricing model matters as much as the card type.

The key to understanding which type of debit card is cheaper to process for your business depends on the size of your business, whether you have interchange-plus or tiered pricing, and your processor’s mark-up.

A Final Thought About Debit Cards

Generally, signature debit cards are more economical to process if your average sale is under \$15, and you have interchange-plus pricing with your processor. PIN debit is better for larger tickets and when you have interchange-plus pricing from your processor.

Important Note: For signature debit, if a customer selects to process the payment as a Credit, it will still process as a Debit Card. The payment processor identifies the primary account number or PAN, and sees that it’s a debit card. Selecting “Credit” on the terminal only bypasses the ability to enter a PIN.

Credit Cards

To the casual observer, the differences between credit cards are mostly aesthetics; colors, patterns, and text. However, there are nine types of credit cards:

- Balance Transfer Credit Cards
- Rewards Credit Cards
- Student Credit Cards
- Charge Cards
- Secured Credit Cards
- Sub-prime Credit Cards
- Limited Purpose Cards
- Business Credit Cards
- Virtual Credit Cards

Each card type has a specific purpose and a set of parameters that define it. It is these parameters and the relative risk that each credit card type represents that determine the interchange fees. Whenever you accept a credit card for payment, a complex series of interactions between processors, acquirers, and other parties take place.

Interchange Fees

There are over 300 Interchange fees making fee structures complex. Card networks like Visa and Mastercard set interchange fees, and the bank that issued the customer's card collects them. Interchange typically makes up 70% to 90% of your total processing cost." Interchange fees vary by Industry, size of the business, card association, transaction, or card type. Each interchange fee has two parts: a percentage and a fixed fee per transaction. Interchange fees are non-negotiable.

Interchange Fee Examples
[VISA Interchange Fee Examples](#)

Visa CPS Retail	Visa Rewards Signature Preferred	Visa Corporate	Mastercard Consumer Merit III	Mastercard Corporate
1.51% + \$0.10	2.50% + \$0.10	2.20% + \$0.10	1.65% + \$0.10	2.70% + \$0.10

Assessment Fees

Assessment fees are a fixed, non-negotiable and charged by the card network in addition to interchange fees. Assessment fees vary by card brand, card type, and transaction size. They're paid to the network, not the bank, and they're non-negotiable.

Card Network Assessment Fee Examples

Card Brand	% per Transaction	\$ per Transaction
VISA	0.14%	\$0.0195
Mastercard	0.1275%	\$0.0195

Processor or Mark-up and Other Fees

Processors and payment gateways charge fees or mark-up. These fees are a percentage plus a fixed dollar amount of each transaction. If a processor charges 0.25% + \$0.10, your cost on a \$100 sale would be \$0.35. Processor fees vary widely across industries and companies and are negotiable.

Other fees that merchants face include set-up fees, account cancellation fees, monthly subscription fees, terminal fees, payment gateway provider fees, PCI fees, statement fees, and IRS 1099-K reporting fees. Most of these are negotiable, so ask for them in writing.

A Cost of Doing Business

Now, you may be thinking that if I want to take cards, I need to pay fees. Card network rules and court rulings now let merchants recover some of that cost by adding a fee. It's legal in most states when the program is set up and disclosed correctly. A processor like IntelliPay can configure the program, but you're still responsible for following your state's rules.



Court Rulings and Card Network Rule Changes

A 2013 class action settlement with Visa and Mastercard gave U.S. merchants the right to surcharge credit cards. In 2017, the Supreme Court's *Expressions Hair Design* decision opened state surcharge bans to free speech challenges, and several of those bans have since fallen.

Which fees you can add depends on the card type (credit, debit, prepaid, or gift), how the payment is made, the card network, your industry, and state law.

As of October 2026, Connecticut, Maine, Massachusetts, and Puerto Rico prohibit credit card surcharging. New York and New Jersey cap surcharges at your cost, and New York requires the total card price to be posted. Oklahoma caps surcharges at 2% or your actual cost, whichever is less. Colorado lets you choose either 2% or your actual merchant discount fee. See our state-by-state surcharging guide for details.

Examples of the kinds of fees merchants can charge cardholders:

- Convenience fee: a flat fee for paying through a channel that isn't the merchant's standard way of taking payments, such as online when payments are normally made in person.
- Service fee: a flat or percentage fee charged by eligible government agencies, schools, and utilities. It can apply to credit and debit cards.
- Surcharge: a fee added when a customer pays with a credit card. It can never apply to debit or prepaid card

See the Fee Model Comparison chart on page 6 for more details. IntelliPay's fee based experts can advise which fee model is the right fit for your industry, business and state.

Credit Card Processing Costs Erode Margins

The goal of surcharging is to reduce or eliminate the processing fees merchants pay every time a customer uses a credit card.

Most credit card spending now runs on rewards cards. Card issuers use rich rewards to entice consumers to use their credit cards, and issuers pass these reward-related costs on to merchants through higher fees.

Competition among card issuers results in richer rewards and ever-increasing processing costs for merchants. In other words, card issuers are using your margins to pay for your customers' rewards credit card perks.

"Merchants can steer customers to lower-cost payments like debit and ACH by offering a discount, but the networks still set the rules on how card fees are shown.



Between a rock and a hard place, you, as a merchant, are forced to raise the prices you charge all customers to protect your shrinking margins.

Merchants who add a fee to all credit card sales shift the processing costs to the cardholder who chooses the convenience and enjoys the perks of paying by credit card.

Surcharge Fees = Win for Cash and Debit Customers

Shifting processing costs to your credit card paying customers levels the playing field for all your customers. Cash and debit customers pay a price that doesn't include the surcharge fee and are no longer subsidizing customers who choose to pay with credit card for the perks.

Credit card customers share the cost of the perks they enjoy and can always have the option of choosing a payment option with lower processing costs before completing the transaction.

Win for You

You pay the lower processing costs for debit cards, and ACH transactions. Surcharging reduces or eliminates your credit card processing costs, helping you to grow your business and your margins.

You may be thinking this sounds great, but will it work with my customers? Expect some pushback. In J.D. Power's 2025 study, 41% of credit card users said they had skipped paying by card because of a surcharge. Clear signs and a no-fee option keep it low.

Surcharging works best for lower-margin businesses like distribution, businesses with larger average ticket sizes, and service-focused businesses. If your business is a restaurant or in a highly competitive industry, surcharging may not be a good fit for you. Surcharging also requires customer disclosures on receipts, signage, and 30-day advance notification of acquiring bank or payment processor.

Service fees are limited to government, education, and utility merchants in specific Merchant Category Codes (MCCs). Utilities in MCC 4900 became eligible in October 2025.

Convenience fees are an excellent choice for businesses that offer a non-traditional way to pay like movie theaters-buying tickets online versus in the lobby.

Fee-Based Payment Model Comparison

Transactions	Service Fee Model	Surcharge Fee Model	Convenience Fee Model
# of MIDs	1 or 2	1	1
# of Transactions	1 or 2	1	1
Fee Type	Fixed or Variable	Fixed or Variable	Fixed
Eligible Cards	Credit or Debit	Credit	Credit or Debit
MOTO	Yes	Yes	Yes
Online	Yes	Yes	Yes
Recurring	Yes	Yes	No
Card Present	Yes	Yes	No
ACH	Yes	Yes	Yes
Restrictions	Note 1	Note 2	Note 3

Model Restrictions

Note 1. Government, education, and utility merchants. Eligible MCCs include 8211, 8220, 8244, 8249, 9211, 9222, 9311, 9399, and 4900 is no longer requires registration or a Merchant Verification Value.

Note 2. The fee can't exceed your cost or 3%. Lower state caps apply in OK and CO. Post notices at entry and point of sale. Never surcharge debit, prepaid, or gift cards. Prohibited in CT, MA, ME, and PR as of October 2026. Notify your acquirer 30 days before starting.

Note 3. The fee only applies in a payment channel that isn't your standard way of taking payments.

Go With a Proven Provider - IntelliPay, Your Fee-Based Payment Option Experts

Payments continue to evolve and become more complex. New payment options, compliance with changing rules, and other regulations make fee-based payments a challenging proposition. IntelliPay is an all-in-one payment solution that enables you to accept, process, and manage your electronic payments in a fast, convenient, and secure environment.

Our Google Cloud-based platform handles fee calculation, card-type detection, and receipt disclosure, so your program stays in line with card network rules. Other platform features include:

- Cloud management suite
- Sophisticated parent/child reporting
- Credit and Debit Cards, ACH/eCheck, ECash, Cash, Check
- Online payments
- Mobile payments
- Text-to-Pay and email payment links
- Digital wallets - GPay, PayPal/Venmo
- Recurring installments
- EMV and custom portals
- PCI DSS Level 1 security
- Level 2/3 processing

IntelliPay is a solutions provider helping you solve the business, financial, and technical challenges your business faces. To schedule a demonstration with one of our payment experts, call 855-872-6632 or email us at sales@intellipay.com.

