

February 20, 2025

The Honorable Nick Hoheisel, Chairperson
House Committee on Financial Institutions and Pensions
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Hoheisel:

SUBJECT: Fiscal Note for HB 2089 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2089 is respectfully submitted to your committee.

HB 2089 would enact the Consumer Inflation Reduction and Tax Fairness Act. The Act would prohibit various entities, including issuers of debit or credit cards, payment card networks that route information for the purpose of conducting electronic payment transaction authorizations, and a member of a payment card network that contracts with a merchant for the settlement of electronic payment transactions, from charging a merchant an interchange fee on the tax or gratuity amount of an electronic payment transaction if the merchant informs the entity making the charge of the tax or gratuity amount as part of the authorization or settlement process for the electronic payment transaction. The merchant would have up to 180 days after the date of the electronic payment transaction to transmit the tax documentation to the entity.

It would be unlawful for the entity that received tax or gratuity data to alter or manipulate the computation and imposition of interchange fees charged to a merchant by increasing the rate or amount of fees imposed on the portion of the electronic payment transaction not attributable to taxes or gratuities. The entity would be subject to civil penalties for violating the Act and liable to the aggrieved merchant, state or county for the payment of a civil penalty. The merchant, attorney general, or county or district attorney could also seek to enjoin or obtain a restraining order against the entity that violated the Act. The issuer of the credit or debit card involved in the transaction affected by the violation would refund to the merchant the interchange fee calculated on the tax or gratuity amount and would be liable to and for any interchange fee amount.

In addition, the Attorney General, or county or district attorney would be authorized to sue for and collect reasonable expenses and investigation fees. Penalties recovered by the Attorney General would be deposited into the State General Fund. Penalties recovered by the county or district attorney would be deposited into the county's general fund. If a provision of the Act would be held invalid, the provisions of the act would be severable.

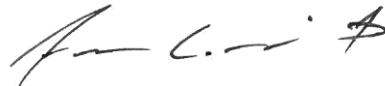
The Office of the Attorney General would require \$223,838 in FY 2026 and \$235,029 in FY 2027 from the State General Fund for 1.00 Attorney position, 1.00 Investigator position, and related operating costs. The agency is unable to estimate the amount of civil penalties that could be recovered by the agency if the bill is enacted. For FY 2027, the agency estimates a 5.0 percent increase in expenditures over FY 2026.

The Department of Credit Unions states that under the bill's provisions, the agency would need to make sure that credits unions were compliant with the new legislation by reviewing the contract changes and implementations with their debit/credit card processing providers. The agency estimates an examiner would need one hour to review the 45 credit unions at a cost of \$1,350 (1 hour X \$30 hourly wage X 45 credit unions). The agency would cover the costs within its existing resources. The agency believes this process would only be required once. The Office of State Bank Commissioner indicates the agency would enforce HB 2089 during the normal bank examination process. Any associated costs of the examination would be absorbed using the agency's existing resources.

The Department of Revenue states it would require \$620 from the State General Fund in FY 2026 to update its forms and publications. The Kansas Judicial Branch indicates HB 2089 could increase the number of cases filed in the district courts because it creates a civil action. This would increase time spent by district court judicial and nonjudicial personnel in processing, researching, and hearing cases. The enactment of the bill could increase the collection of penalties, docket fees, fines, and supervision fees that would be deposited into the State General Fund. Any fiscal effect associated with HB 2089 is not reflected in *The FY 2026 Governor's Budget Report*.

The Kansas Association of Counties indicates HB 2089 would have a fiscal effect on counties if there were numerous actions filed. However, the Association is unable to estimate the fiscal effect. The League of Kansas Municipalities indicates that the bill would have a negligible effect on cities.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Trisha Morrow, Judiciary
Lynn Robinson, Department of Revenue
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities
Jesse Becker, Office of the State Bank Commissioner
Julie Murray, Department of Credit Unions
Matt Bingesser, Office of the Attorney General