Airlines for America®
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May 1, 2025

House Labor and Commerce Co-Chairs Zach Fields and Carolyn Hall
Alaska State Legislature
State Capitol Room 24
Juneau, AK 99801

Dear Chairs Fields and Hall:

Airlines for America (A4A)[1] is the principal trade and service organization of the U.S. airline industry. U.S. airlines employ thousands of people who live and work in Alaska, and we are proud of the investments we are making across the state. We also know that Alaska residents love to travel, and the miles that customers earn with their credit cards facilitate family vacations, visits to loved ones and weekend getaways. These rewards programs also bring thousands of visitors to Alaska and are a critical part of the tourism sector. In fact, close to 133,000 domestic passengers used miles from airline co-branded credit cards to visit the state of Alaska in 2023, driving $107.3 million in visitor spending and $1.9 million in state and local tax revenue. HB 171 introduces unnecessary risks to these important sources of value and economic contribution across the state's economy.

On behalf of A4A and our member carriers, we oppose any mention in the bill that would require a separation of nearly every electronic payment transaction into multiple parts. Further, we believe that it will require the creation of new customer purchase databases that would threaten customer privacy. These new requirements are being mandated on the electronic payment network, with no compensation.

These new requirements put consumer benefits such as airline miles, cash back and travel points at risk. Residents of Alaska enjoy their credit card benefits. These cards rely on a system that operates on standardization with mere milliseconds to process transactions. Customers and merchants benefit from a fast, safe and secure payment system that promotes customer choice and reliably speeds payments to sellers. We understand and appreciate that there are a number of significant challenges before the legislature, and we respectfully ask that the legislature leave undisturbed a system that works and with which consumers are happy.

We respectfully ask you to reject the proposal forcing electronic payments into multiple transactions.

Sincerely,

Sean Williams
Vice President, State & Local Government Affairs

[1] The members of the association are Alaska Airlines, Inc.; American Airlines Group, Inc.; Atlas Air, Inc.; Delta Air Lines, Inc.; Federal Express Corporation; Hawaiian Airlines; JetBlue; Southwest Airlines Co.; United Airlines Holdings, Inc.; and United Parcel Service Co. Air Canada is an associate member.

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Jason Stverak
Chief Advocacy Officer

May 11, 2025

Representative Zack Fields
Chair, House Labor & Commerce Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Chairman Fields and Members of the House Labor & Commerce Committee:

On behalf of the Defense Credit Union Council (DCUC) and our member credit unions serving active-duty military, veterans, and their families throughout the United States and abroad—including those stationed at Joint Base Elmendorf-Richardson and Fort Wainwright and all across the state—we write to express our strong opposition to the inclusion of interchange language from HB 171 into SB 79.

While we understand the desire to address payment systems and transparency, the proposed interchange provision threatens to impose serious harm on credit unions, small financial institutions, and the very consumers it claims to help—particularly those who serve our nation in uniform. This legislation would effectively mirror the failed federal Durbin Amendment experiment, the consequences of which have been well-documented: higher costs for consumers, the elimination of rewards programs, reduced access to affordable credit, and a profound disruption to low-cost debit card services that many Alaskans rely on.

Interchange Regulation Harms Consumers—Not Big Banks

When similar federal legislation was enacted in 2010, it promised to lower costs for consumers. Instead, nearly every reputable economic study has shown that retailers pocketed the savings while consumers lost access to benefits. A 2023 report found that Durbin's price controls led to a $106 drop in average annual debit card benefits for consumers. Meanwhile, financial institutions faced a multibillion-dollar revenue reduction, cutting back on free checking and affordable accounts—especially in rural and underserved communities.

Alaska's geography and economy make these impacts even more acute. Defense credit unions and community-based financial institutions play a critical role in providing affordable, safe, and accessible financial services in remote and underserved areas where large national banks and retailers have limited or no presence. Interchange fees help cover the cost of fraud prevention, cybersecurity, and compliance—functions that disproportionately affect smaller institutions and cannot be waived without undermining the security of your constituents' transactions.

A Threat to Military Financial Readiness

Defense credit unions operate with a mission-first mindset, returning their earnings to members in the form of lower loan rates, higher dividends, and specialized financial education programs. Many also offer zero-interest emergency loans, early pay programs, and financial counseling to Alaska-based military families. These services are funded in part by interchange revenue.

Cutting this funding source undermines military financial readiness—a key factor in national security. At a time when military families are already struggling with high inflation and housing shortages, Alaska should be looking to expand financial access and protection, not restrict it.

A Solution in Search of a Problem

We also question the timing and necessity of this proposal. There is no evidence of an interchange market failure in Alaska. In fact, credit unions and community banks already offer some of the lowest-cost financial services in the country, tailored to the unique needs of Alaska's military and rural residents. If the goal is to support small businesses, there are far better avenues than interfering in complex electronic payment systems that subsidize security, innovation, and convenience.

DCUC's Call to Action

Let us be clear: including the interchange regulation language in SB 79 would have a chilling effect on credit union operations in Alaska, limiting our ability to serve military bases and rural communities, and stripping funding from programs that uplift underserved populations. This effort has the full backing of powerful national retailers who seek to shift their cost of doing business onto the shoulders of local credit union members and working families.

For these reasons, we strongly urge you to remove the interchange provision from SB 79 and refrain from advancing policies that harm the financial wellbeing of service members, veterans, and Alaskans at large.

Thank you for your consideration of our views. We remain ready to work with you on legislation that truly supports local communities and strengthens Alaska's financial infrastructure. Should you or your staff have any questions or require additional information, please do not hesitate to contact me at **202.557.8528** or by email at **jstverak@dcuc.org**.

Sincerely,

Jason Stverak
Chief Advocacy Officer
DCUC

Thank you for your consideration of our views. **We stand ready to be a resource** as you deliberate on the future of the CDFI Fund and other programs that impact the financial readiness of our troops and the resilience of underserved communities. Please do not hesitate to contact me if you have any questions or require additional information. We deeply appreciate your continued support of America's credit unions and the communities we serve.

Should you or your staff have any questions or require additional information, please do not hesitate to contact me at **202.557.8528** or by email at **jstverak@dcuc.org**.

Sincerely,

Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members House Appropriations Committee

Statement in Opposition to Provisions in SB 79 Relating To Interchange Fees

May 11, 2025

Dear Co-Chairs Fields and Hall, Members of the Alaska House Labor & Commerce Committee:

The Card Coalition, the national trade association representing the payment card industry, wishes to express our opposition to provisions added to SB 79 relating to interchange fees.[1] Those provisions were added from HB 171 to which we previously expressed our opposition.

We appreciate the opportunity to share our views on the detrimental impact the bill would have on payment card processing, consumers, and our retail partners in Alaska.

As substituted, SB 79 prohibits the collection of interchange on the sales tax and the gratuity portion of electronic transactions. Several states have considered and rejected similar ill-conceived proposals.[2]

The infrastructure to exempt sales and use taxes from the interchange fee does not exist and, contrary to some proponents' claims, cannot be realized with "a few lines of code." Creating the payments infrastructure would come at a high cost to merchants, processors, networks, and financial institutions alike, the impact of which would disproportionally fall on small merchants in Alaska.

Alaska's local banks and credit unions will be uniquely impacted

Illinois, the only state to have enacted this measure, is mired in litigation. Passed in 2024, the Illinois law was immediately challenged by a diverse group of bank and credit

[1] The Card Coalition identifies, tracks and responds to state legislative and regulatory activities relating to the payment card industry to assist public officials in crafting sound policy on matters impacting payment card operations, consumer protection and other issues of concern. We are the only national organization devoted solely to the payment card industry and related legislative and regulatory activities in all 50 states. For more information, please visit www.cardcoalition.org

[2] When a merchant accepts a card for payment, they pay a "merchant discount fee," typically 2 – 2.5% of the transaction amount. One component, the "interchange fee," is simply that portion of this fee received by the bank or credit union that issued the customer's card. These fees typically average 1.75% of payment card transactions. Merchants pay this to access the global electronic payments network and gain opportunities for increased revenue and guaranteed payment provided by payment card acceptance.

union trade associations, with the Office of the Comptroller of the Currency (the federal regulator of national banks) filing an *Amicus* brief in support of the plaintiffs. Early rulings from the Court determined national banks and federal savings associations are entitled to federal preemption, leaving state-chartered institutions in the law's crosshairs.

Enacting SB 79 could likewise leave current and future Alaska state-chartered institutions on the hook for the onerous impacts of the bill while their out-of-state national bank competitors are legally out of scope.

Other states have recognized this issue. Responding in a fiscal note attached to a similar bill, the New Mexico Regulation and Licensing Department stated that "*if enacted the [proposal] could incentivize New Mexico state chartered banks to either convert to national banks or be acquired by national banks to avoid the high cost of compliance or the risk of noncompliance…and may cause smaller state-chartered credit unions to dissolve, further impacting General Fund revenue*."[3]

Excluding sales tax poses major operational challenges

Compliance with SB 79 would require payment processors to identify the taxable amount for each debit or credit card transaction and then exclude the sales tax. While sounding simple, this would require the wholesale creation of a payment regime unique to Alaska.

Payment processors and payment networks send and receive authorization messages as single units of code, typically routing only the card number and the total transaction amount. Because neither payment processors nor payment networks see details about the goods purchased, they cannot identify the appropriate sales tax that should be applied to the transaction.

When a customer purchases a product or service at the point of sale, the merchant's cash register software scans the purchased items and computes and applies the local and state sales taxes. For an electronic purchase, the total sales amount is sent from the cash register system to a separate point-of-sale device, known as the point-of-sale terminal, which accepts the payment card.

Payment processors and payment networks only transmit the data from the point-of-sale terminal, *i.e.*, the total transaction amount, and select data obtained from an embedded chip or the magnetic stripe on the back of the swiped payment card. Neither processors nor networks delineate between goods and services purchased at the point-of-sale.

[3] Linked here. Click on "Analysis."

To process thousands of payments per second quickly, safely, and efficiently, capturing only the absolute minimum amount of data necessary to authorize, clear, and settle the transaction is critical.

SB 79 would require significant programming changes by merchants, processors, payment networks, and card issuers to capture and report point-of-sale data needed to implement the bill's requirements. The detail of the item(s) purchased, prices, coupons applied, terms of delivery, purchaser's tax status, etc., would be required to allow processors, payment networks, and card issuers to ensure sales tax was applied and remitted accurately.

The enormity of these programming changes must be viewed through the lens that all the systems linked in the payments chain must be interoperable. Thus, changes must be coded, implemented, and compatibility tested at retailers' point-of-sale terminals, payment processors, payment networks, and card issuing financial institutions.

Changing the entire payment ecosystem will impact consumers and merchants alike.

Many retailers—especially small businesses—will need to purchase or lease new point-of-sale terminals to meet the technological requirements of this bill. Further, changing the payment system to accommodate a single state would place a disproportionate burden on Alaska's small banks and credit unions.

Consumers are not without significant adverse impacts. Consumers could face paying two separate transactions per sale—one for the product or service and another for the tax portion. Further, transaction reconciliation between merchants, processors, payment networks, and card issuers will lead to the capture and communication of consumer data that does not currently exist—eroding consumer privacy in transactions accomplished by electronic means.

Financial institutions bear the credit risk for the entire transaction, including the tax portion. Payment card networks are highly specialized and operate under national processing rules to facilitate near-instantaneous acceptance. Establishing a precedent of handling transactions uniquely by state or type of transaction should be resisted.

For these reasons, we urge you to oppose the interchange provisions added to SB 79. Thank you for the opportunity to present our views.

Sincerely,

Toni A. Bellissimo
Executive Director
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ELECTRONIC TRANSACTIONS ASSOCIATION

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May 10, 2025

The Honorable Zack Fields & Carolyn Hall
Co-Chairs of the House Labor and Commerce Committee
Alaska State Capitol Room Barnes 124
120 4th Street
Juneau, AK 99801

Re: ETA Opposition to SB 79

Dear Chair Fields, Chair Hall, and Distinguished Members of the Committee,

On behalf of the Electronic Transactions Association (ETA), the leading trade association representing the payments industry, I appreciate the opportunity to express our concerns regarding SB 79. Collectively, ETA members process $52 trillion annually, operating within an efficient and effective payments system. Significant changes, such as those required by SB 79, are unworkable and illegal, and pose risks to innovation and system security.

The unworkable nature of the proposal is emphasized by the fact that over 70 similar proposals to prohibit interchange on the sales tax portion of electronic transactions have been considered between 2006 and 2025 and all but one has failed to pass their respective state legislature. Examples from other states are outlined further below. The unintended consequences of such a policy change are not fully known but will clearly harm consumers and small businesses. If there are any monetary benefits, it will only accrue to large retailers.

The Bill is Preempted by Federal Law: As a federal district court recently found when considering an analogous statute, restrictions on the national banks that issue credit cards are preempted by federal law. There, as here, the statute prevented issuing banks from receiving interchange payment on the tax and gratuity portion of purchases. Because the National Bank Act allows them to do, the statute is preempted.

Although this bill attempts to draft around that court's decision, it fails. Although it purports to only prevent card networks from charging interchange, because of the way the payments system operates that, in fact, prevents national banks from receiving the interchange. Because that outcome is preempted by the National Bank Act, SB 79 is preempted by federal law.

The Bill Would Harm Consumers: There are numerous ways in which SB 79 would harm consumers:

- **Impact to Rewards:** Consumers risk losing valuable benefits, such as airline miles, cashback, and loyalty program rewards, which are funded in part by interchange fees.
- **Loss of Privacy:** Implementing SB 79 would mandate the acquisition and storage of detailed transaction data, including SKU-level information, by the payments industry. This level of granularity, currently not collected, raises significant privacy concerns for consumers. Each transaction would need to be itemized and audited to ensure compliance with state and local tax requirements, eroding the privacy of individual purchases.
- **Service Disruptions:** Consumers would experience immediate inconveniences and inefficiencies resulting from the disruption of an otherwise efficient and secure payments ecosystem.
- **Checkout Complications:** Consumers may face challenges such as:
  - Inability to use their card for certain transactions.
  - Requirement to pay taxes separately, potentially in cash.
  - Slower checkout times and reduced satisfaction, particularly for purchases with varying tax rates (e.g., groceries)
- Although proponents of SB 79 argue that removing sales tax from interchange fees would save consumers money, in fact the opposite is likely. There will be significant costs associated with implementation—such as compliance and technology updates—which are likely to flow directly to consumers through increased prices.

Small Businesses Will be Harmed: The challenge of attempting to comply with this bills' requirements will be felt most acutely by small merchants who would need new software and, in most cases, new hardware, requiring a significant investment in order to comply. The ability for small businesses to offer a multitude of payment options is critical to their ability to compete with big-box retailers, give their customers the options they desire, and remain flexible in times of crisis. The state's small businesses would need to spend hundreds of dollars for equipment, testing and reprogramming to comply – time and money that they simply can't afford – dwarfing any reduction in interchange.

- **Administrative Costs:** Compliance would require new processes, increased audits, and extensive employee training, further straining small businesses financially and operationally.
- **New Technology:** The current interchange fee model is based on the final purchase amount, without specific data on goods, services, or applicable tax rates. While payment networks have developed advanced tools to aid merchants such as POS systems that calculate and apply tax rates for specialty item SB 79 would require entirely new technology and new separate Alaska based payment network separated from the global payment network to capture state sales tax, gratuity amounts, and itemized receipt data.
- **Out-of-State Transactions:** Small businesses would also face additional challenges developing systems to accommodate transactions originating from outside the state.

- **Benefits of Interchange:** Currently, interchange fees support fraud detection and prevention, ensure system reliability, and provide access to critical services that drive customer convenience and satisfaction.
- **Rate Determination:** Interchange rates are market-driven, competitive, and negotiable, enabling businesses to secure terms suited to their needs. Over time, competition has naturally lowered interchange costs, ensuring affordability while supporting the infrastructure necessary for a robust and secure payment system.

Impact to Local Banks and Credit Unions: SB 79 would hurt Alaska chartered banks and credit unions by limiting the amount they can charge to process credit and debit card transactions. The recent federal court decision referenced above resulted in approximately 90% of credit card transactions being excluded from the scope of these legislative bills. The court also held that state-chartered banks and credit unions must comply with the Illinois law, however, putting them at unique disadvantage – a disadvantage these small local institutions cannot afford.

As noted above, other than Illinois every other state to have considered this policy has rejected it. Some recent consideration examples include:

- **Arizona, California, & Colorado Voted Against:**
    - On April 28th, the **Colorado** Senate Judiciary Committee unanimously voted against HB25-1282, a bill to prohibit card networks from establishing, charging, or putting forward on a fee schedule an interchange fee.
    - The **California** Assembly Committee on Banking & Finance recently voted against AB 1065 on April 21st with (0 Ayes - 6 Nays). The bill also would have prohibited the collection of interchange on the sales tax portion of a transaction.
    - The **Arizona** House of Representatives recently rejected a bill with similar language on March 6th. The bill HB 2629 also would also have prohibited interchange from being collected on the sales tax portion of a transaction.
- **Illinois Federally Preempted:** Illinois is the only state to pass similar legislative language during the late-night closing hours of its 2024 session. A lawsuit filed by the Illinois Bankers Association and the Illinois Credit Union Leagues resulted in a preliminary injunction on the basis that federal banking laws preempt the Illinois law. Based on the ruling, 90% of transactions are excluded from application of the law. Experts estimate compliance costs ranging from hundreds of millions to $10 billion, requiring years to develop new technologies and encourage adoption.
- **Georgia & Tennessee Study Commissions:** In 2024, a **Georgia** House of Representatives study commission, and the **Tennessee** Advisory Commission on Intergovernmental Relations (TACIR) were each tasked with studying the costs associated with interchange fees on tax portions of transactions. After thorough analysis, both the Georgia Committee and TACIR recommended reforming its vendor compensation program rather than removing interchange fees from the sales tax portion of transactions.

- **States Considering & Rejecting Interchange Legislation:** In 2025, similar bills were introduced in **Washington, Idaho, New Mexico, Georgia, Oklahoma, and Maryland**, all of which failed.

Conclusion: The creation of a Alaska based payment network separated from the global payment network under the requirements of SB 79 would have significant adverse effects on both small businesses and consumers. Small business owners would face substantial financial and operational burdens to comply with the new mandates, while consumers would likely bear the cost of these changes through increased prices and diminished benefits.

* * *

We appreciate you taking the time to consider this important issue. More information on the payments system is located on the next page. If you have any questions or wish to discuss further, please contact me, or ETA EVP Scott Talbott at stalbott@electran.org.

Respectfully,

Brian Yates
Senior Director, State Government Relations
Electronic Transactions Association
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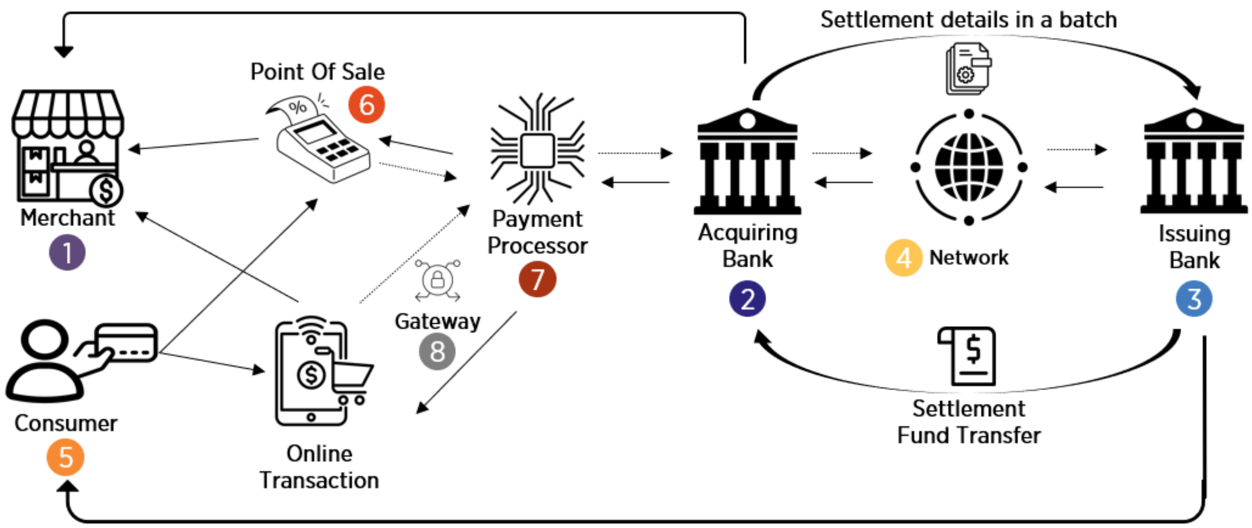
Overview of The Payments Ecosystem

Summary: The payments industry has remained at the forefront of developing innovative payment technology, providing merchants and consumers with safety, security, speed, and ease for transacting electronic payments, not to mention increasingly numerous options for doing so. These developments are a result of many stakeholders acting seamlessly and in unison across a complex ecosystem that processes payments. Each of the stakeholders below provides valuable and essential services to merchants and/or consumers.



1. **Merchants**: provide goods or services and agree to accept credit and/or debit cards according to their merchant and processing agreements with their acquirer; receive payment details through point of sale systems, or online; when a merchant makes a sale using a customer's electronic payment card, the system that processes the transaction recognizes only the final purchase amount on which interchange is based.
2. **Merchant acquirers**: provide access to payment networks and presents transaction information from merchants to payment networks.
3. **Issuing entities**: financial institution or commercial entity that provides consumers with a payment instrument (such as a credit or debit card).
4. **Payment networks**: exchange data between card issuing entities and merchant acquiring entities and settles payments.
5. **Consumers**: hold payment instruments and participate in the marketplace.
6. **Point of Sale (POS) systems**: electronic equipment used for pricing and recording transactions, which can be in the form of software, hardware, or combination; these systems DO NOT provide detailed transaction information, (e.g., items bought, tax rate), to neither acquirers or card networks.
7. **Processors**: provide payment processing across the payment network; may be an acquirer, and may, in some cases, serve both the acquiring and issuing sides of a transaction.
8. **Gateways**: an internet-based service that transports credit card information from a computer terminal or website to a credit card processor.

May 11, 2025

House Labor and Commerce Committee
Alaska State Legislature
120 4th Street
Juneau, AK 99801

Dear Members of the House Labor and Commerce Committee,

I write today on behalf of the Southwest Public Policy Institute, a nonprofit consumer advocacy think tank, to express my strong opposition to **House Committee Substitute for Senate Bill 79**, which seeks to impose unprecedented restrictions on interchange fees collected on the tax and gratuity components of electronic payment transactions. While the bill is presented as a measure to support small businesses and reduce costs, it constitutes a sweeping price control that threatens to upend the payments ecosystem, eliminate valuable consumer rewards, and impose costly burdens on Alaska's financial and retail infrastructure.

Let's be clear: SB 79 is a de facto price control.[1] Price controls have a long and well-documented history of negative consequences. Similar laws[2] in other states have already led to costly litigation, broken systems, and higher banking fees for working families.[3] Just like the federal Durbin Amendment, which capped debit card interchange fees in 2010 and eliminated free checking and rewards programs, this bill will disrupt the economics of credit card transactions in ways that will harm, not help, Alaskans.

One particularly troubling aspect of SB 79 is its technical impracticability. Most credit card terminals currently in use across Alaska cannot segregate tax and gratuity amounts from the total transaction in real time. This means that, even under the bill's structure, the interchange fee cap would apply to the whole transaction amount, regardless of the law's intent. This isn't just an oversight: it's a systemic flaw.

Moreover, it's worth asking: Who stands to benefit from this dysfunction? One plausible answer is the hardware and software companies behind the card processing terminals. This legislation would create a new, artificial demand for updated terminal technology, forcing retailers and

[1] https://southwestpolicy.com/colorados-house-bill-1282-swipe-fee-legislation-a-price-control-by-another-name/
[2] https://southwestpolicy.com/victory-in-colorado-hb25-1282-defeated/
[3] https://www.foxbusiness.com/economy/credit-card-rewards-are-about-vanish-guess-whos-blame

many small businesses to invest in costly upgrades to remain compliant. That's not consumer protection. That's regulatory rent-seeking.

Even worse, SB 79 includes a ban on cost reallocation, meaning that processors, networks, and banks are legally prohibited from adjusting fees elsewhere to cover their losses. This is an astonishing degree of central planning. It assumes the government, not markets, should dictate how private parties price risk, provide service, and maintain infrastructure.

And what happens when these artificial constraints are enforced? The loss of interchange fee revenue will destroy the economic model that underwrites credit card rewards programs. According to the New York Federal Reserve, 86% of interchange fee income directly supports those programs. That means no more airline miles, no more cash-back incentives, and no more benefits for the millions of Americans who rely on their credit cards to stretch household budgets.

In short:

- **This bill will increase costs for consumers, not lower them.**
- **It will create compliance chaos for Alaska's retailers.**
- **It will reduce access to credit and financial tools.**
- **It's a government-mandated tech upgrade disguised as consumer protection.**

Alaskans deserve better than a flawed and invasive attempt to regulate what should be a competitive, market-driven financial service. Put consumers first: please vote **NO** on SB 79.

Sincerely,

Patrick M. Brenner
President, Southwest Public Policy Institute