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Testimony of

Christopher Carlozzi, State Director, National Federation of Independent Business
In Support of House Bill Nos. 5554 and 5582
Relating to Commercial Law – Regulatory Provisions
Swipe Fees
Before the House Committee on Small Business
April 3, 2025

Chair McEntee and Members of the House Committee on Small Business:

My name is Christopher Carlozzi. I am the Rhode Island Director of the National Federation of Independent Business (NFIB). A non-profit, non-partisan organization, NFIB is the nation's and Rhode Island's largest small business advocacy group. In Rhode Island, NFIB represents hundreds of small and independent business owners involved in all types of industry, including manufacturing, retail, wholesale, service, and agriculture. The average NFIB member has five employees and annual gross revenues of about \$450,000. In short, NFIB represents the small Main Street business owners from across the state. On behalf of those small and independent business employers in Rhode Island, I urge you to support House Bill Nos. 5554 and 5582, relating to credit card swipe fees.

Small businesses operate on razor-thin margins. Unfortunately, those margins are even narrower in the wake of prolonged inflation, supply chain disruptions, and labor shortages. At a time when fewer consumers opt to use cash, credit card companies have exponentially increased "swipe fees" on businesses. In fact, reports show that "swipe fees" have more than doubled since 2012. Employers note that processing fees are now a growing portion of a business' operating budget. As credit card companies incentivize consumers to utilize their cards more frequently to obtain rewards points and cash back, small businesses end up subsidizing the cost through unreasonable "swipe fees."

While House Bill Nos. 5554 and 5582 will not reduce the growing expense of swipe fees for small businesses, these pieces of legislation would provide a slight reprieve regarding fees on the sales tax and tips. The fees being charged by credit card companies are not being levied on the goods and services offered by a business in this instance, but rather the taxes they are collecting and remitting for the state of Rhode Island. Credit card companies, that are already charging small businesses exorbitant fees, should not gain additional profit from a business because they are obligated by law to collect the sales tax for the state. House Bill No. 5554 would remedy this scenario. Similarly, House Bill No. 5582 would prevent relief to the hospitality industry, by prohibiting credit card companies from collecting swipe fees on worker tips.

I strongly urge this Committee to support House Bill Nos. 5944 and 5582, that will help provide financial relief for Rhode Island small businesses. Credit card companies should not be allowed to profit off of the sales tax that small businesses are required by law to collect. Thank you.