

A Shop Owner's Guide to Reducing Credit Card Processing Fees



Learn how shop owners like you are saving thousands per month

Did you know that adding a surcharge to credit card transactions is a free speech right protected by the First Amendment? For many repair shops, credit card processing fees are among the highest expenses, and surcharging provides a valuable way to save money. This right was secured in a landmark Supreme Court ruling in March 2017, which determined that state bans on surcharging regulate constitutionally protected speech. Surcharging is now legal in 48 states, with only Connecticut and Massachusetts maintaining bans.

This decision followed another key victory for merchants in their fight against credit card networks over swipe fees. In 2012, Visa and Mastercard lifted their “No-Surcharge Rule” as part of a settlement in an antitrust lawsuit filed in 2005. The suit alleged the networks and 13 banks conspired to fix swipe fees charged to merchants.

While surcharging offers significant benefits, it can be tricky to implement in compliance with regulations. Many requirements are difficult to meet without advanced technology, and Visa has recently imposed a \$5,000 fine for first-time violations of its surcharge rules.

This guide will show you how to implement compliant surcharging in your repair shop. By following these steps, you can reduce credit card processing fees and stay within Visa's rules.



What Is Surcharging?

According to Visa, a surcharge is “a fee a merchant adds to a consumer’s bill \[at the point of sale] for using a card, not applied to other payment methods.” This fee is added to the listed price, which applies to other payment methods.

What Isn’t Surcharging?

Cash discounting is NOT surcharging. Cash discounting is a practice Visa frowns upon and refers to as a cost deducted from the published price when a credit card is not used.

How Does Surcharging Save You Money?

The concept is simple: instead of your business covering the cost of customers’ credit card rewards, they pay a small percentage on their repair orders. For example, as of April 15, 2023, Visa’s surcharge rate is 3%, which adds just a few dollars per transaction —about the price of a couple of coffees. On an average \$350 repair order, this would be \$10.50. Over time, this small fee can reduce credit card processing costs by up to 50%, saving shop owners tens of thousands annually.

With rising inflation, most repair shops can’t afford to absorb credit card fees anymore. While raising labor rates is one option, adding a surcharge can complement your pricing strategy. Surcharges have been available to seven million U.S. merchants for over a decade, providing a way to stay profitable without compromising service quality.

Visa’s Rules on Surcharging

As a reminder, the 2012 settlement that got the card networks to lift their surcharges prohibitions also made businesses like yours subject to cap and disclosure requirements we’ll cover in this section. We’ll also show you how integrating your surcharge solution and shop management software (SMS) helps with compliance.

Registering Your Intent to Surcharge

As of April 15, 2023, Visa now allows you to notify your processor — not Visa — of your intent to surcharge, which must happen 30 days before you commence surcharging on credit card transactions. Visa described the change as a way “to streamline the process for merchants,” but the card network knows unregistered surcharging is occurring.

How 360 Payments can help

Compliance with this Visa-revised guideline happens when you sign up for Compliant Surcharging with 360 Payments. Note that we do the same for all card networks, including Mastercard.

Surcharging is Limited to Credit Cards

Merchants cannot surcharge on debit or prepaid card transactions, even if the customer selects credit when paying with a debit card.

360's surcharging technology has a competitive advantage over most processors by automatically removing the surcharge amount from the transaction when a debit card is inserted into the terminal or manually entered into a payment website. It reads a credit card's bank identification number, or BIN, which refers to the first 4-6 numbers on the payment card that identifies the product (credit or debit card), issuer, and more.

A Surcharge Cannot Exceed Your Effective Merchant Discount Rate

There's a cap to this guideline, which Visa lowered from 4% to 3%, effective April 15, 2023. So, the amount you surcharge must not exceed your effective discount rate for processing Visa cards or 3%, whichever is lower.

Compliant Surcharging with 360 Payments ensures you stay within these limits. It also ensures the surcharge amount populates the card network's required data field (Field 28) when it receives the transaction message.

Disclose the Surcharge to Your Customers

Visa requires that you clearly alert customers to your surcharge by disclosing your policy at the point of entry, point of sale, and on every receipt. Visa even specifies font sizes for your signage.

Here are examples Visa provides for shop signage:

Visa's Point-of-Entry Disclosure Sign Requirements

(32pt Arial Font Minimum)

"We impose a surcharge on credit cards that is not greater than our cost of acceptance."

Visa's Point-of-Sale Disclosure Sign Requirements

(16pt Arial Font Minimum)

"We impose a surcharge of ___% on the transaction amount on Visa credit card products, which is not greater than our cost of acceptance. We do not surcharge Visa debit cards."

Visa is also prescriptive when it comes to how you disclose your surcharge policy online, requiring that the disclosure appear on the first webpage that references the credit cards you accept and your checkout page in 10-point Arial font. Note that for online transactions, your customers must be allowed to cancel the transaction after reading your credit card surcharge disclosure. Additionally, an itemization of the final surcharge dollar amount must be identified as a “surcharge” and listed separately from the total sale and return amount on all receipts.

Visa does allow you to customize your messaging for your disclosure signage, just as long as the following elements are included:

- The exact amount or percentage of your credit card surcharge.
- A statement that your business imposes a surcharge that only applies to credit transactions.
- A statement that the surcharge amount is no greater than the applicable merchant discount rate for Visa credit card transactions.

Compliant store signage is provided when you sign up for Compliant Surcharging with 360 Payments.

Surcharge Fee Applied to All Receipts and Invoices

Visa allows surcharges on credit card transactions if they follow the same terms as competing card brands with equal or higher costs that limit surcharging. However, Visa doesn't specify if businesses can waive surcharges for loyal customers, which we see as an effort to avoid regulatory issues. Their signage rules also state that surcharges must be applied consistently and disclosed on all receipts.

Our Surcharge solution helps you meet these requirements easily. It calculates surcharges on the total invoice, including taxes, while offering flexibility to manage credit transaction fees to suit your business. We also ensure compliance with a key Visa rule: surcharge fees cannot be deposited into a merchant account.

In the next section, we'll dive deeper into these benefits and how they simplify managing surcharges for your business.



Guidelines for Successful Surcharging Implementation

Compliant Surcharging with 360 Payments offers valuable features like the BIN lookup tool to ensure surcharges only apply to credit cards. It also integrates with SMS, simplifying invoicing and ensuring Visa-compliant receipts. These tools aren't just compliant—they're great for your business. Let's dive in.

Compliant Surcharging with 360 Payments: Maximize Your Net Funding

Unlike other programs, 360 Payments deposits the exact transaction amount into your business account, while surcharges go into a separate account to cover Visa's processing fees. This separation ensures you're not using surcharge revenue to pay processing fees. Without a compatible point-of-sale system, you might unknowingly pay processing fees on the full transaction amount, including the surcharge. These costs can add up quickly, creating unnecessary expenses and accounting headaches. With 360 Payments, you simplify the process and keep more of your money.

Compliant Surcharging Simplifies Reporting

One major advantage of keeping surcharge amounts separate from your main accounts is cleaner, more accurate reporting. The funds deposited into your business account will match exactly what was captured at the point of sale. Additionally, this approach ensures that processing fees aren't deducted directly from your business account, reducing the risk of reporting errors that can accumulate over time.

Compliant Surcharging Means Merchant Free Choice

A survey by PYMNTS.com found 85% of 2,500 respondents willingly paid credit card surcharges, with 84% aware merchants could charge processing fees. While surcharges are becoming more accepted, there's a big difference between \$2 on a restaurant bill and \$42 on a \$1,400 tire replacement. With 360 Payment, you can set surcharges under 3%, keeping them manageable for your customers.

Conclusion

Many businesses may not have known about Visa's surcharge rules unless a customer reported the issue. However, Visa is enforcing compliance more strictly. As of April 15, 2023, Visa lowered its maximum surcharge rate from 4% to 3% and is using this change to spot violations. Exceeding the cap often reveals other compliance issues.

Visa has also removed warnings for non-compliance. First-time offenders face a \$5,000 fine per violation, with 30 days to correct the issue. Failure to comply results in a second, larger penalty of \$25,000.

360 Payment is the leading payment processor for the automotive industry, offering compliant surcharging fully integrated with your SMS and DVI systems. If you have questions or need guidance, contact us for a free consultation—we're here to help.

Pros and Cons of Credit Card Surcharging

Adding the cost of payment processing to repair invoices is a tough decision for repair shops, especially in an industry whose greatest fear is a customer who questions price. But the pandemic and the increased costs (think parts shortages) spurred renewed interest in the practice, which many believe motivated Visa to reduce its surcharge cap. Let's take a fresh look at those pros and cons.

Pro No. 1: You Keep More of What You Earned

Why should you pay for credit card loyalty programs that send your customers elsewhere to spend their rewards? Imagine cutting your processing fees in half. What could you do with those savings?

Con No. 1: Surcharging Might be Illegal

Apart from Connecticut, Massachusetts, and a few states with small wrinkles in their surcharge laws — like Colorado's 2% surcharge cap — credit card networks are the law of the land when it comes to surcharging. And as shown in this guide, solutions like 360 Payments' Compliant Surcharging take all the guesswork out of the equation.

Pro No. 2: I'm Supporting the Merchant Cause

As we've covered in this guide, surcharging is a constitutionally protected right won by business owners like you. Choosing not to surcharge tells your supporters in Washington, D.C., that the practice isn't needed and takes the spotlight off credit card networks and their escalating fees charged to retailers.

Con No. 2: Customers Don't Like Surcharges

No one likes paying more. That'll never change. When more than 2,500 cardholders were surveyed in December 2021 by PYMNTS.com, 56% of respondents said being asked to pay a surcharge made them highly likely to switch to another merchant, while 21% said it harmed satisfaction. However, results from the survey also showed that as demand for surcharging grew through the pandemic, so did customer acceptance — with 85% of survey respondents having knowingly paid credit card surcharges without issue. Additionally, 84% of respondents indicated they knew merchants could charge for processing.

Pro No. 3: Surcharge Technology Offers Choice

Choosing compliant surcharging with 360 Payments means you decide how much you want to charge your customers while staying below Visa's 3% cap. A tech-driven surcharge solution also ensures you don't mistakenly impose your surcharge on debit and prepaid cards. It can also connect you and your customers to alternative payment sources like 360 Payment's Consumer Finance Portal.

Con No. 3: Surcharging Raises Your Effective Prices

It's true. However, choosing the alternative — increasing your labor rates — has the same effect. Yes, the repair business is a price-sensitive market, and surcharging could frustrate a small percentage of your customers. That's why you might consider surveying your customers, researching the practices of other shops in your area, and preparing a strategy for competing with repair shops that don't surcharge. But with credit card processing fees having doubled over the last decade, you need a solution for keeping more of what you earned.

Visit 360Payments.com or call 855-360-0360 for your free consultation.

Disclaimer: Nothing in this guide is intended to be legal advice and should not be taken as such. All legal questions should be addressed by competent legal counsel.