



March 6, 2023

To: Members of the North Dakota House Finance & Taxation Committee
Re: SB 2217

Chair Headland, Vice Chair Hagert, and Members of the Committee,

The undersigned organizations write in opposition to Senate Bill 2217. This legislation would prohibit interchange fees on the sales tax portion of electronic payment transactions in North Dakota. **The government would be interfering in the free market in an attempt to control who bears the burden of collecting and remitting sales tax – risking higher costs for North Dakotans in a time of out-of-control inflation.**

The state has created a sales tax burden that affects multiple parties in a transaction. The electronic payments system has been developed to accommodate this to best serve consumers and businesses. Currently, that system accounts for the final, total cost of a transaction. It does not parse out local or state sales tax, the network only sees that total.

To attempt to accommodate SB 2217, the payment system would have to develop a new process to tabulate the local tax and state tax burden separately – at least doubling the number of transactions processed in North Dakota.

Under SB 2217, the government would insert itself into this functioning system and try to make one party bear the full burden of the tax the government has created by preventing payment processors from applying the usual interchange fee to the full amount of a transaction.

Like every government attempt to control the market, there will be unintended consequences. By drastically increasing the amount of transactions processed, forcing processors to create new systems, software, and even new equipment, costs for small businesses and consumers in North Dakota would rise. These added costs will be placed on the processing system, merchants will pass them down to consumers, and everyone will lose.

This is unjustified government interference in the market. If the sales tax burden is too high, and transaction costs are hurting North Dakota businesses, legislators can reduce the sales tax, or increase sales tax collection allowance.

The House, and your committee in particular, has prioritized achieving real relief for North Dakota taxpayers and small businesses. We applaud your leadership in protecting taxpayers, and growing the state's economy, and urge you to reject SB 2217.

Sincerely,

Grover Norquist
President
Americans for Tax Reform

Pete Sepp
President
National Taxpayers Union

Bette Grande
President
Roughrider Policy Center

Heather R. Higgins
CEO
Independent Women's Voice

Adam Brandon
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John Berlau
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Jerry Theodorou
Director, Finance, Insurance & Trade Program
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Seton Motley
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Daniel J. Mitchell
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