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FISCAL POLICIES MANUAL

CREDIT CARD FEES

PREFACE

Accepting credit cards as payment for state services, fees, or taxes is becoming more common among state agencies. Agencies will need to evaluate which of their state services, fees, or taxes will be eligible for payment by credit card. This policy is designed to help agency personnel evaluate the acceptance of credit card payments and with the accounting of the associated credit card fees.

DEFINITIONS

Credit card – A credit card is any card that may be used by a consumer for payment of state services or fees and is accepted by a financial institution through credit card transaction terminals. These include but are not limited to:

- Credit cards
- Debit cards
- Cash Management Account Cards

Credit card fees – Processing fees (charged by the bank) and discount fees (charged by credit card companies) incurred by state agencies for credit card transactions.

Internet gateway fees - Setup, monthly, or maintenance fees charged to state agencies by Internet gateway providers or the state's e-government provider. These fees do not include per transaction Internet fees.

Internet transaction fees - Fees charged to State agencies by the state's e-government Internet provider on each Internet transaction.

POLICY

Individual agencies should evaluate the costs and benefits of accepting credit cards for the payment of state services or fees. The credit card fee, which is typically between two and three percent of the total dollar amount charged, will be the responsibility of the agency.

Agencies will decide which of their state services, fees, or taxes will be eligible for payment by credit card. However, *Idaho Code 67-2026* does require that “all taxes and additional amounts of interest, penalty or fees payable together with taxes and all other fees and amounts which are payable to the state” totaling \$100,000 or more must be paid by electronic funds transfer.

Administrative Procedures continue on the next page.

ADMINISTRATIVE PROCEDURES

Agency credit card fees should be recorded as an expense in the month in which they are paid. They should not be recorded as an offset to revenue. The state collects the revenue and pays the credit card fees directly to the card processor.

Transaction codes:

TC 230, use subobject 5963	
Dr – Expenditure	\$100.00
Cr – Cash	\$100.00

INTERMEDIARY PAYS THE CREDIT CARD FEES

If an intermediary is being used to collect state revenue and the intermediary is paying the credit card fees, no expense should be recorded by the agency.

Example:

- Agency A has a contract with XYZ Company to be an intermediary credit card payment collection processor.
- XYZ Company bills the agency a set fee per transaction.
- XYZ Company directly pays the credit card fee and remits the gross revenue collected to the state.

Transaction codes:

TC 101, use subobject 5963	
Dr – Cash	\$50.00
Cr – Revenue	\$50.00

INTERMEDIARY DEDUCTS THE CREDIT CARD FEES

If the intermediary collects the state revenue and deducts the credit card fee from their remittance, revenue should be recorded in full by the agency, with a corresponding expense to credit card fees to reflect the remitted amount.

Example:

- Agency B has a contract with QRS Company as an intermediary credit card payment collection processor.
- QRS Company charges the agency a set fee per transaction.
- XYZ Company directly pays the credit card fee and remits the net revenue collected (total cash collected less transaction fee, less credit card fee) to the state.

QRS Company collects \$235. They charge Agency B \$35. Agency B needs to enter two transactions in STARS:

Transaction codes:

TC 101, use subobject appropriate for type of revenue

Dr – Cash	\$200.00	
Cr – Revenue		\$200.00

TC 192, use subobject 5963, credit card fees

Dr - GAAP Expense	\$35.00	
Cr – Revenue		\$35.00