

FACT SHEET

Repeal the Interchange Fee Prohibition Act (IFPA)

Protect Consumers, Small Businesses, and Illinois' Payment System



What is the IFPA?

The **Interchange Fee Prohibition Act (IFPA)**:

- Prohibits interchange fees on **tax and gratuity portions** of card transactions
 - » Imposes an egregious penalty of **\$1,000 per violation**
- Restricts **data usage**, weakening fraud protection and preventing the generation of consumer rewards.
 - » Subjects institutions to liability under the **Illinois Consumer Fraud and Deceptive Business Practices Act**
- Takes effect **July 1, 2026**

Why Legislative Action is Urgent

Legal uncertainty and regulatory conflict are accelerating:

- Federal regulators (OCC) have **preempted IFPA for national banks**
 - » Regulators and former regulators from both republican and democratic administrations dating back to 1985 have consistently opined in opposition to this law
- NCUA action to preempt IFPA for federally chartered credit unions is pending
- Courts have **vacated prior rulings and remanded the case**, creating uncertainty about the timeframe for a final ruling
- **State-chartered banks and credit unions are left exposed**
- **Result:** A fragmented system where some institutions are afforded protections and others cannot comply— creating chaos in payments



ILLINOIS
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IFPA Creates Two Unworkable Compliance Options

1. Point-of-Sale Calculation

- Requires real-time separation of tax and gratuity
- Not supported by current payments infrastructure
- Forces costly system overhauls across merchants and financial institutions

2. Reimbursement Model

- Merchants submit claims up to **180 days later**
- Financial institutions must:
 - » Process reimbursements within 30 days
 - » In order to audit the accuracy of reimbursement requests, **itemized transaction data would be required** – exposing consumers to privacy concerns.

Who is Harmed?

Consumers

- Increased **fraud and data privacy risks**
- Loss or reduction of **card rewards programs**
- Slower, more complicated checkout experiences
- Potential shift back to **cash transactions**
- The legislation requires **NO** savings to be passed on to consumers

Small Businesses

- New administrative burden and compliance costs
- Increased risk of disputes and more complicated payments at the point of sale
- Complex accounting requirements

Tipped & Gig Workers

- Potential for reduced tips due to processing complications or cash requirements

Financial Institutions

- Inability to independently create compliance solutions due to the interconnected global payment system
- Operational strain from reimbursement tracking and auditing
- Exposure to significant penalties
- Uneven regulatory treatment vs. national banks

Who Really Benefits?

Corporate Megastores

High-volume national retailers stand to gain millions in savings because:

- Their massive transaction volume makes small fee reductions add up
- They have the infrastructure to handle complex compliance systems

Meanwhile, smaller businesses and the local financial institutions supporting them are severely disadvantaged.

Impact on Illinois

- **No increase in tax revenue**
- Increased **legal costs** defending the law
- Risk of **disrupting the entire electronic payments ecosystem**
- Competitive disadvantage for Illinois-based financial institutions

The Bottom Line

IFPA does not deliver meaningful benefits to the majority of parties to an electronic transaction—but it does:

- Disrupt a secure, efficient payments system
- Increase costs for businesses and consumers
- Create legal and regulatory confusion
- Put Illinois at odds with longstanding federal banking rules

CALL TO ACTION

Illinois lawmakers should act now to repeal IFPA.

Repeal will:

- ✓ Restore stability to the payments system
- ✓ Protect consumers and small businesses
- ✓ Ensure regulatory consistency
- ✓ Prevent unnecessary economic disruption

Questions?

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