

Surcharges and How They Work

Last Modified on 07/30/2021 11:55 am PDT

As a Merchant, there may be times where you will need to recoup the costs of accepting credit cards. When a credit card is used as payment, a Merchant may opt to use a “surcharge” to cover these additional costs. A surcharge is an additional charge that is applied at the time of purchase for the privilege of using a credit card. For example, a store can charge an additional 2.7% for all credit card transactions to cover the cost of card processing.

A surcharge is sometimes mistakenly referred to as a [convenience fee](#); however, there is a distinct difference between the two. A surcharge is applied for the privilege of using a credit card as a form of payment. Whereas a convenience fee is applied for the privilege of using a non-standard payment method for the merchant, such as using a credit card as payment if the merchant primarily transacts with cash. It is imperative to understand which option can and cannot be applied as merchants may only employ either surcharges or convenience fees, but never both.

Guidelines for applying credit card Surcharges

For U.S. merchants that accept credit or debit cards on the major card payment brands (Visa, MasterCard, American Express, Discover, and PayPal), surcharge practices are subject to specific usage guidelines. As a merchant, there are certain guidelines you will need to follow before you decide on surcharging your customers:

- Surcharges for a debit or prepaid card are not allowed for transactions processed on Visa and MasterCard owned networks. Inspect the card before the transaction to verify if there is a brand network logo. Surcharging a debit card processed as a credit card is not allowed if the debit card falls under the Visa or MasterCard networks.
- A surcharge should be the discount fee or interchange fee, merchants pay per transaction, or less.
- Surcharge fees must not exceed 4% (even if the merchant discount fee is higher than 4%).
- Merchants that assess a surcharge must disclose this to the customer at the point-of-sale for all payment channels. This includes, but is not limited to, online checkout pages, confirmation emails, and physical receipts.
- Surcharging is prohibited for sales to those consumers residing in Colorado, Connecticut, Maine, and Massachusetts. Merchants should contact their legal counsel before surcharging consumers who reside in Kansas, California, New York, Florida, Oklahoma, or Texas.
- Any refunds must include surcharge fees (even partial refunds warrant a partial surcharge fee refund).
- Merchants must [register with the card brands](#) before charging the fee (30 days prior).
- Surcharging is not permitted if a merchant is processing exclusively in a card-absent environment, such as online, mail order, or telephone order.
- Not all industries are allowed to use surcharging. Regulations for industries that may collect a surcharge vary from state to state. Consult your state statutes to determine eligibility.

To Enable Surcharging in the Qualpay Virtual Terminal:

1. Merchants must [register with and be approved by the Card Brands](#) at least 30 days before processing a surcharge.
2. [Contact Qualpay](#) to enable surcharging.
3. To require surcharging with the Qualpay Virtual Terminal once enabled:

- Log into the Qualpay Manager
 - Select **Administration**
 - Select *Settings*
 - Select **Payment** and scroll to *Virtual Terminal Settings*
 - Select *Surcharge*
 - Click the toggle next to *Required* to require a surcharge for all transactions
4. Once enabled, the toggle option is displayed in *green*. If disabled, the toggle is displayed in *white*.
 5. Select *Percent* or *Fixed* from the Surcharge Default drop-down (The amount cannot exceed more than 4% programmatically).
 6. Click *Save Payment Profile*.

You can now apply a surcharge to your transactions in the [Qualpay Virtual Terminal](#).

To Process Transactions in the Virtual Terminal with a Surcharge Applied:

1. Log into the [Qualpay Manager](#).
2. Go to **New Transaction**
3. Select the *Transaction Type*.
4. Enter the *Subtotal*.
5. The *Surcharge* field is pre-populated from the **Settings** section if enabled as "Required", as described above. By default, this field is not pre-populated.
6. Add the *Credit Card details, Billing Information*, and then click **Submit**.

Note: By default, Qualpay does not allow surcharging in any prohibited locations or on transactions where the surcharge exceeds 4% of the transaction total.