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September 13, 2016

Board of Supervisors  
Kern County Administrative Center  
1115 Truxtun Avenue  
Bakersfield, CA 93301

**PROPOSED INCREASE IN DEBIT CARD SERVICE FEES**  
(Fiscal Impact: \$20,000 estimated revenue annually; General Fund)

Beginning in 1994, the Treasurer-Tax Collector's Office (Office) began accepting credit card payments for property taxes. Payments made by credit cards and debit cards result in the Office being charged fees that historically have averaged approximately 2% of each transaction. On April 26, 2005, the Board of Supervisors approved a 2% service fee for all tax payment credit card transactions in order to recover the fees charged to the Office.

Subsequent to the Board's approval, Visa introduced the Visa Debit Card that prohibited a percentage based service fee, and instead required that the service fee for Visa Debit Cards be a flat rate that could not exceed \$3.95. This fee limit only applied to certain types of Visa Debit Cards and not Mastercard Debit Cards or any other brand of debit card. This has caused some confusion with debit card users about whether they will have to pay a flat fee of \$3.95 or a percentage based fee of 2%. Additionally, due to shifts in taxpayer payment behavior and only charging \$3.95 per transaction for Visa Debit Cards, the Office has paid nearly \$47,000 more than it has collected in fees over the past five years, effectively subsidizing the cost of accepting card payments with General Fund dollars. In FY 2015-16 alone, the Office paid nearly \$18,000 more than was recovered through fees.

In 2012, Visa eliminated the \$3.95 fee requirement for Visa Debit Cards and now allows for percentage based fees. Until now, my office has chosen to continue that \$3.95 fee limit to encourage debit card usage. However, due to budgetary constraints and in an effort to reduce the confusion of taxpayers regarding fees, I am proposing to change the fee structure so that all credit cards and all debit cards will be charged the same 2% fee effective no earlier than October 1, 2016. It is anticipated that this change will eliminate the General Fund subsidy my office has been paying for card transactions. Additionally, if the card fees continue to cost more than the revenue collected, I will have to revisit the 2% fee structure and may request approval from your Board to increase that fee at a later date.

It is important to note that ACH or electronic check transactions made on our on-line payment system will remain free to taxpayers with no associated fees. This is to ensure that taxpayers will continue to have the ability to make payments online without incurring fees.

I also recently conducted a survey of credit card fees with other California county Treasurer-Tax Collectors. Thirty counties responded and every other county has set their credit card fee

between 2.19% and 3.5%. Kern County currently has the lowest fee in the State. Additionally, about half of the counties that responded have already changed their debit card fee to match their credit card fee similar to the change that is being recommended today.

As further background, unlike commercial goods and services that typically include credit card fees in the cost of the good or service, California State law does not allow fees to be added to a property tax bill thus requiring the fee to be charged separately. Offering many different payment options is a very important customer service tool that benefits the taxpayers. Electronic Funds Transfer (EFT) payment options continue to increase year over year as more and more people and businesses conduct business via e-commerce methods. In Fiscal Year 2015-16, my office processed 24,516 credit card transactions, 17,226 debit card transactions, and 47,516 electronic check transactions. The total of 59,414 for all EFT transactions in FY 2015-16 represents a 7.42% increase from the previous fiscal year and a 53.06% increase over a five year period.

The Office of County Counsel has reviewed and approved this letter.

Therefore, IT IS RECOMMENDED, that your Board approve a change in the service fee for qualifying debit cards from a flat fee of \$3.95 to a percentage based fee of 2% of the transaction amount to be consistent with all other debit card and credit card service fees.

Sincerely,

Jordan Kaufman  
Treasurer and Tax Collector

cc: John Nilon, County Administrative Officer  
Mary B Bedard, Auditor-Controller-County Clerk  
Teresa Goldner, County Counsel