

SB221 INTRODUCED



1 SB221
2 CXSA5WW-1
3 By Senator Orr
4 RFD: Finance and Taxation Education
5 First Read: 29-Jan-26



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4 SYNOPSIS:

5 Under existing law, credit card transaction fees
6 are included in sales and use tax calculations for
7 purchases.

8 This bill would provide that a credit card
9 transaction fee is excluded from sales and use tax
10 calculations on the price of goods and services
11 purchased by credit or debit card.

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14 A BILL
15 TO BE ENTITLED
16 AN ACT

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18 Relating to sales and use tax; to exclude credit card
19 transaction fees added to the price of goods or services
20 purchased by credit or debit card from the calculation of
21 sales and use taxes.

22 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

23 Section 1. (a) As used in this section, the following
24 terms have the following meanings:

25 (1) CREDIT CARD. Any card, plate, coupon book, or other
26 credit device existing for the purpose of obtaining money,
27 property, labor, or services on credit. The term shall also
28 mean any card or other payment code or device issued or



29 approved for use through a payment card network to debit an
30 asset account, regardless of the purpose for which the account
31 is established, whether authorization is based on signature,
32 personal identification number, or other means. The term
33 includes a general-use prepaid card, as defined in 15 U.S.C. §
34 16931-1(a)(2)(A). The term does not include paper checks.

35 (2) ELECTRONIC PAYMENT TRANSACTION. A transaction in
36 which a person uses a debit card, credit card, or other
37 payment code or device issued or approved through a payment
38 card network to debit a deposit account or use a line of
39 credit, whether authorization is based on a signature,
40 personal identification number, or other means.

41 (3) CREDIT CARD TRANSACTION FEE. A fee assessed on
42 purchases made by debit or credit card to offset interchange
43 fees charged to a merchant or seller.

44 (b) The amount of any credit card transaction fee
45 charged for an electronic payment transaction shall be
46 excluded from the amount on which basis sales and use tax is
47 assessed for that electronic payment transaction.

48 (c) The Department of Revenue shall establish rules to
49 administer the provisions of this act.

50 Section 2. This act shall become effective on September
51 1, 2026.