



Study Shows New Illinois Law Will Line the Pockets of the Largest Mega-Stores, Bear Costs on Small Businesses and Consumers

A new study analyzing the cost implications of an Illinois credit card law shows corporate mega-stores will be the largest beneficiaries of the law, which carves tax and tip out of credit card interchange. According to the report, 40 of the largest retailers will soak up nearly 40 percent of the estimated \$118 million reduction in interchange. The top 10 largest retailers – Amazon, Walmart, Home Depot, Verizon, Apple, AT&T, Costco, CVS, Walgreen and Kroger – will receive 21.4 percent of the savings. The remainder of the savings to be split amongst approximately 1.3 million small businesses in Illinois will be a wash after factoring the operational costs to implement the new system.

“This unnecessary law will create significant implications on Illinois business and consumers, with no known path forward at this time,” said Alex Cabrera, owner of Lalo’s Restaurant on Maxwell Street in Chicago. “As a business owner, I am very concerned about the costs of this implementation on small businesses and that the benefits will only go to big box retailers.”

This report echoes the findings from a University of Miami [study](#) which found legislation currently before Congress proposing new mandates on credit card transactions would put small businesses “at a further competitive disadvantage” because “almost all of those savings will accrue to retailers with \$500 million or more in annual sales, with little going to small businesses.”

“Small businesses will see an increase in operational costs to account for sales tax and gratuities paid with debit and credit cards,” said [Glenn Grossman](#), professor of finance at Anderson University in Indiana. “Since taxes are not reported by payment method, this will create additional operational challenges for retailers.”

Consumers will also see negative consequences from this new law. In addition to complications during the transaction process, it is unlikely retailers will lower prices. According to a report from the Richmond Federal Reserve, only one percent of merchants reduced prices following a cap on debit card interchange in 2011. Consumers saw many consequences such as a sharp decline in the availability of debit card rewards programs, decreased availability of free checking accounts, higher minimum balance requirements, and higher fees as banks took steps to offset the lost revenue.

Details of consumers purchases will also have to be shared by businesses to accurately calculate the amount of the purchase interchange is charged.

“This has not been implemented anywhere in the world, putting Illinois in a vulnerable position to be the guinea pig of a new system that has yet to be created,” said Jose Garcia, President of Northwest Community Credit Union in Illinois. “Consumers and businesses in Illinois should be concerned about what the transaction experience will look like from a security and privacy standpoint.”

The Illinois General Assembly is the first-in-the-world to pass a law prohibiting interchange on tax and tip, making it a global outlier with an unknown path forward. The law is set to take effect July 1, 2025 with [many small business owners across Illinois questioning the impact](#) this will have on their operations.

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