

Cash Discount Program FAQs

For ISO Partners



Cash Discount Programs are a great way for merchants to reward customers who pay with cash, but they can be very confusing. There are lots of details that must be followed exactly to make sure merchants are operating a legal program that abides by the card brand rules. Here are some common questions and answers that will help you during your sales efforts.

Q. Is providing a cash discount legal?

A. Thanks to the Durbin amendment of the 2010 Dodd-Frank law, business owners have a completely legal way to pass on all or a percentage of their processing costs to their customers.

Q. Are cash discounts allowed by Visa and Mastercard?

A. Yes, cash discount programs are permitted under the Visa and MasterCard operating rules.

Q. What are the differences between a Cash Discount Program and surcharging?

A. Cash discounts are *NOT* surcharges. While cash discounts and surcharges may seem similar, they are actually quite different.

Cash Discount	Surcharge
When a business owner offers a discount to a customer who pays by cash or check.	When a business adds an additional fee to purchases made with a credit card.

Surcharging also carries additional stipulations:

- Surcharges are prohibited on all debit card transactions, regardless if they are run as debit or credit.
- Surcharging is only allowed in states where it has not been prohibited by state law. Ten states also have laws that limit or prohibit surcharging (California, Colorado, Connecticut, Florida, Kansas, Maine, Massachusetts, New York, Oklahoma and Texas).
- Special Forms need to be completed and sent to Visa, Mastercard, Discover and the merchant's credit card processor for approval before the merchant starts surcharging customers.
- The merchant must post signage for at least 30 days prior to implementing a surcharge.
- A surcharge cannot exceed 4% of the card transaction.

Q. What types of merchants can participate in our Cash Discount Program?

A. A Cash Discount Program is the ideal solution for a variety of service-based industries, including retail, food and beverage, and personal and professional services. Businesses that benefit most from Cash Discount Programs are those with average tickets between \$10-\$75.

Q. Does the service fee have to be a percentage or can merchants charge a flat fee?

A. Merchants have the freedom to choose which fee structure works best for their business and their average ticket size. They can charge a flat fee between \$0.30-\$0.60 or a percentage ranging from 3%-3.99%.

Q. When is it best to charge a percentage versus a flat fee (or vice versa)?

A. This depends on several factors, such as the average ticket and the popularity of cash discount programs in your market. Based on our experience, most merchants with an average ticket under \$15 tend to charge the service fee as a transaction fee. Merchants with an average ticket greater than \$15 tend to charge the service fee as a percentage.

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Q. Can I convert existing merchants to Cash Discount?

A. Yes, you can convert existing merchants to Cash Discount. However, please be aware that we do not convert merchants in the middle of the month. We only convert merchants at the beginning of the month.

Q. Do I need to fill out a new application for merchants that I want to convert?

A. No, you do not need to fill out a new application. However, you need to complete the Cash Discount Pricing Conversion Form. Please pay close attention to the Merchant Equipment section and make sure you change the merchant to daily discount.

Q. Is Cash Discount available on POS systems?

A. Yes, Cash Discount is available for major POS systems, including Aloha, MICROS, POSitouch, etc. However, you should check with your local reseller or POS dealer since not all will do Cash Discount.

Q. What kind of disclosures are required to use a Cash Discount Program?

A. At VMS, we take an honest approach to pricing, and merchants who participate in our Cash Discount Program are required to do the same. Merchants must clearly list their service fee/charge and cash discount on all customer receipts. They are also required to post signage at the entrance of their business and at the register. The signage must indicate that all transactions now include a service fee and the amount of the fee that will be charged. Clearent provides free customizable signage to merchants in the form of decals, table tents and adhesive hangers.

Q. What does the signage look like and how do merchants customize it?

A. Below are examples of the free customizable signage that we provide to our merchants. Pre-printed decals, table tents and adhesive hangers are available. You or the merchant will then need to fill in the service fee/discount in the space provided on each piece.



Door/Window Decal
5" x 7.75"



Table Tent
5" x 7"



Adhesive Hanger
3" x 4"

Q. How is the fee noted on the customer receipt?

A. The term "Svc Fee" will appear on all customer receipts for merchants who participate in our Cash Discount Program.