

Governor Jared Polis  
Office of the Governor  
200 E. Colfax Ave  
Room 136  
Denver, CO 80203

May 8, 2026

**Re: Veto Request – Colorado Senate Bill 134 (Payment Card Network Fees)**

Dear Governor Polis:

We are writing on behalf of the members of the American Financial Services Association (“AFSA”)<sup>1</sup>, to express our deep concerns about SB 134, which seeks to artificially limit interchange fees—fees merchant banks pay to card issuing banks—on the sales tax portion of a transaction. We strongly urge that you veto this bill on the grounds that it will establish Colorado as an outlier in the global payments system, stifle innovation in the state, and have catastrophic consequences for individuals, families, small businesses, financial institutions, and Colorado’s reputation as a business-friendly tech-hub.

SB 134 seeks to transfer responsibility for the costs of processing sales tax on electronic transactions from retailers to financial institutions, including AFSA members. To do this, it will require a new way of processing transactions that does not currently exist. Making it work, if that were even possible, would entail the development, testing, and deployment of brand-new technologies unique to Colorado. This process would be so complex, and the benefits so limited for merchants, that it is difficult to imagine how it could be made to function. Financial institutions, with no incentive to invest in a system for the sole purpose of shouldering retailers’ processing responsibilities, would face two options: either make the investment, absorb the cost of collecting retailers’ sales tax, and recoup them through increased consumer bank account fees, or, more likely, decline to process sales tax on electronic transactions, leaving customers to settle in a separate transaction using cash or check. Neither option is good for Colorado’s citizens and the many tourists who visit the state annually.

The policy enshrined in SB 134 is at odds with efforts in Colorado and elsewhere to foster innovation and growth, especially in the tech sector, and will leave the door open for fraudsters of all kinds. The global electronic payment system leverages advanced technologies like

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<sup>1</sup> AFSA is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans.

encryption, tokenization, and multi-factor authentication, with major networks blocking or refunding 96% of fraud attempts. The system faces immense pressure from rising cybercrime, phishing, and, real-time payment scams that pose direct threats for consumer losses. AFSA members and other financial institutions invest billions in constant innovative technologies and cybersecurity measures to combat these threats, providing robust protections and often zero-liability for fraudulent transactions. Innovations in the electronic payments system, such as contactless payments, real-time settlement, and mobile wallets, have revolutionized financial transactions by providing increased speed, convenience, and security for both consumers and merchants. Interchange helps fund these advancements that drive customer security, frictionless and convenient transactions, and increased sales and operational efficiency for merchants. Interfering with interchange in this unprecedented way, can only compromise cybersecurity in Colorado.

It would also affect the funding of rewards cards. According to recent polling, 80.8 percent of Coloradans say earning bonus rewards, especially for travel, is an important benefit of using their credit cards. Rewards also generate immense value for Colorado. According to Airlines for America, airline credit cards alone generated more than \$1.2 billion of economic impact for the state in 2024, with more than 740,000 travelers choosing to visit the state with their hard-earned rewards. Interchange fees not only support the popular travel rewards programs that families and individuals rely on, but these rewards also provide an indisputable financial benefit to consumers across all economic backgrounds. From a family of four planning a vacation to the Rockies and stretching their budget with points, to a small business owner maximizing rewards on new office supplies, these programs deliver real, everyday value. SB 134 would both radically and immediately upend this critical financial benefit made possible by interchange.

The broader implications of disrupting a well-functioning electronic payments system that benefits all are significant and have been exposed nationwide. This interchange and sales tax concept has been introduced in over 30 states and rejected every time, after legislators reviewed the complexities and ramifications of the legislation and determined any benefits were dwarfed by the negative impacts. The lone exception is the Illinois Interchange Fee Prohibition Act (IFPA), which only passed after being inserted into a budget bill at the eleventh hour without a stand-alone bill or any proper deliberation. This law was immediately challenged in court in a lawsuit that is ongoing in the 7<sup>th</sup> Circuit.

Critically, the Illinois law has since been the target of a Final Rule issued by the Office of the Comptroller of the Currency (OCC) expressly preempting the state law (the National Credit Union Administration, or NCUA, is expected to follow with a similar rule). Previously in 2024 under the Biden Administration, the OCC filed an amicus brief opposing the IFPA, describing it

as “ill-conceived, highly unusual, and largely unworkable” in the ongoing lawsuit. The OCC warned that the law, if allowed to stand, would likely increase fraud risk, limit consumer services, reduce public trust, and, if adopted by other states, create “a fractured, highly inefficient, and unworkable payment system” that would disrupt interstate commerce. SB 134 will do the same in Colorado, damaging the state’s reputation as a tech-hub in the process.

In addition to these fundamental concerns, we note that SB 134 goes further than any other of the dozens of interchange bills defeated over the past couple of years. The clauses related to selective applicability based on institution asset size using an arbitrary asset cap of \$60 billion, further dilute the pool of affected institutions, after federal preemption has decimated it. This raises fundamental questions about whether the effort outweighs the benefits.

In conclusion, it is self-evidently unfair for retailers, restauranters, and others to expect financial institutions to bear their responsibility for the collection of sales tax. On top of this, however, is the remote likelihood that the bill will, upon enactment, result in a workable and cost-effective system. Rather, SB 134 will expose Colorado to severe and damaging risk without delivering meaningful benefits to any of the parties involved.

For these reasons, we urge you to veto SB 134, in the interests of Colorado families, small businesses, and the state’s appeal as a hotbed of innovation. If you have any questions, please do not hesitate to contact me at 952-922-6500 or [dfagre@afsamail.org](mailto:dfagre@afsamail.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Fagre Arlowe", is written in a cursive style.

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