

Passing on Costs of Credit Card Transactions

A July 2011 discussion on SoloSez, the email listserv for general practice, solo and small firm lawyers

I am planning to start accepting payment via credit/debit card within the next month. A practical question I have is how do most people handle the transaction fees associated with accepting credit payments? Are the costs passed on to the client in some way, or do you eat the fees as a cost of doing business? I'm just wondering additionally how to explain to a client how this works. Say you quote a retainer of \$1,000 and the fee for processing the transaction is 3%. Are you passing along that \$30 fee to the client?

I also haven't done much research as to when the fees are taken, so this next question may not even be relevant. But, I assume some processing services take the fee off the top before the funds are finally deposited with you... using the above example, the client's account is debited \$1,000, but your account is credited \$970. If that's the case (and this is a retainer into trust, not a flat fee situation), do you treat your client's account as having paid a retainer of \$970 rather than \$1,000?

Regarding the first question, I am a strong proponent of building the fee into whatever you quote, or eating the fee. I think it makes business owners sound pathetic when they try to get their customers/clients to pay an additional 3% because they're paying with credit. The convenience to you is well worth it.

Best wishes,

Jason Beahm, California

Never tell the client that they're paying the credit card transaction fee. I think it violates the term of your credit card agreement anyway.

However, you can certainly hide the fee elsewhere by raising your fees to account for it. It's part of your overhead.

David Shulman

The credit card agreement that I have with my bank prohibits me from passing along the cost. I guess I could do it by increasing my hourly rates, but for now I just eat it. Getting 97% is better than 0% (which is often the case if I don't accept credit cards).

Marian Palma Cardona, Florida

And in some jurisdictions you can discount for cash but not charge a premium for credit cards.

Tom Simchak, Texas

I agree with what others have said. It's a cost of doing business. If you start having to spend a lot on the fees, raise your rates a bit to compensate.

Check your state's rules about how the deposit is put in your trust account. If the client pays \$1k with his card, his balance on your books should be the full amount. You probably will either need to transfer your own funds to make up for the merchant fee, if it was taken out of the deposit in transit. Or you will need to have a processor who debits the fee from your operating account.

Andrew Flusche, Virginia

Also, there's no rule that says you have to charge everyone the same for the same work. You can certainly charge one client more than another if you want to. I suppose you can't do it for racial, gender, etc. reasons.

But you don't tell them you're doing it because of the credit card.

David Shulman