

STATE OF WISCONSIN
STATE ACCOUNTING MANUAL

SECTION:	V Expenditures	EFFECTIVE DATE:	July 1, 2003
SUB-SECTION:	15 – Credit/Debit Card Processing Fees	REVISION DATE:	July 1, 2003
SUBJECT:	Policy and Procedures	PAGE:	1 of 3

INTRODUCTION

State agencies are implementing electronic receipting applications at an increasing rate. A large percentage of the state's revenues are collected via credit cards, pin-less debit cards (hereafter referred to as "debit cards") and Automated Clearing House payments.

State agencies utilize "merchant processors" to process credit and debit card transactions through the processing networks. The merchant processors charge a variety of fees for these services. This section provides the procedures that agencies must use to account for credit and debit card processing fees.

ACCOUNTING FOR CREDIT AND DEBIT CARD PROCESSING FEES

Section 20.905(1), Wisconsin Statutes, authorize the Depository Selection Board (DSB) to determine how credit and debit card processing fees are to be paid. The DSB has issued this policy:

State agencies may elect to pass credit and debit card processing fees on to their customers as an addition to the total amount due, or pay the fees from their appropriations. In either case, the amount of the gross revenues must be recorded within a state appropriation.

The State Controller's Office has implemented a statewide merchant processing contract. The contract requires the merchant processor to invoice each state agency/application monthly for the credit and debit card processing fees. Merchant processors may not debit state bank accounts for the amount of credit and debit card processing fees or net their fees from daily settlements.

Credit and debit card processing fees contain several components. The components fall into two categories: 1) Percentage fees based upon the amount of the payment; and 2) Flat fees per transaction. The fees in these categories vary, depending upon the specific process that the agency uses to collect and submit the credit and debit card information to the merchant processor. Please see the **Electronic Receipting Guide** on the DOA web site if you have questions on the best practices for credit and debit card acceptance or on merchant processing fees.

The accounting treatment for credit and debit card processing fees depends on whether or not the fees are added as a "convenience fee" at the time of payment.

Convenience Fee/Custody Appropriation Model

If the credit and debit card processing fees are added to the payment amount as a convenience fee, the receipt and disbursement of the fees should be recorded within a "custody account". Custody accounts (appropriations) are authorized in Section 20.907(5), Wisconsin Statutes. They allow agencies to collect and disburse moneys that are "payable to persons other than the state". Custody appropriations may only be used to record the revenues and expenditures associated with credit and debit card processing fees paid to the merchant processor.

Custody accounts enable state agencies to recoup the credit and debit card processing fees and pay the merchant processor outside of their budgeted appropriations. This is advantageous, since it may be difficult to predict the amount of payments that will be made via credit and debit cards. The

**STATE OF WISCONSIN
STATE ACCOUNTING MANUAL**

SECTION:	V Expenditures	EFFECTIVE DATE:	July 1, 2003
SUB-SECTION:	15 – Credit/Debit Card Processing Fees	REVISION DATE:	July 1, 2003
SUBJECT:	Policy and Procedures	PAGE:	2 of 3

convenience fee/custody appropriation model does not require the agency to increase statutory fees and budgets to accommodate the acceptance of credit and debit cards.

Under the convenience fee/custody appropriation model, credit and debit card processing fees should be recorded to custody appropriation 945. The following entry should be made to record the receipt of the convenience fees assessed for credit and debit card processing:

Fund	Agy	Appn	AT	Acct	Acct Name	DR	CR	Type
XXX	XXX	945R	01	1000	Treasurer's Cash	100		Offset
XXX	XXX	945R	31	9290	Credit and Debit Card Processing Fees Collected		100	Entered

CR transactions to record the deposit of \$100 in credit and debit card processing fees that were added to the payment amount as a convenience fee. Note: A JV will be used instead of a CR if the payment is processed using the Enterprise E-Payment Gateway and initially recorded via an Automatic Cash Receipt transaction.

When the state agency has received and reviewed the monthly invoice from the merchant processor, it should issue an ACH payment using a P1 transaction:

Fund	Agy	Appn	AT	Acct	Acct Name	DR	CR	Type
XXX	XXX	9454	22	2748	Credit/Debit Card Processing Fees	100		Entered
XXX	XXX	9454	01	1000	Treasurer's Cash		100	Offset

P1 transactions to record the payment of monthly credit and debit card processing fees.

Year-end reconciliation - over/under collection of convenience fees

During the 13th month, the agency must make an adjusting entry so that at fiscal year-end, the custody appropriation shows an equal amount of credit revenues and debit expenditures (note: there may be a small revenue balance remaining in the custody appropriation because of a timing difference at the end of June). Agencies should make every effort to pay their June invoices by fiscal year-end. However, if this is not possible, the amount of convenience fee revenues collected for the June invoice may remain in the custody appropriation at fiscal year-end. The agency should adjust the custody appropriation using one of the two entries below.

If revenues exceed expenditures after the most recent invoice has been paid, the excess revenues must be transferred to the agency's GPR-earned or SEG-earned appropriation:

Fund	Agy	Appn	AT	Acct	Acct Name	DR	CR	Type
XXX	XXX	945R	31	9290	Credit and Debit Card Processing Fees Collected	200		Entered
XXX	XXX	100R	31	9290	Credit and Debit Card Processing Fees Collected		200	Entered
XXX	XXX	945R	01	1000	Treasurer's Cash		200	Offset
XXX	XXX	100R	01	1000	Treasurer's Cash	200		Offset

JR transactions to transfer excess year-end revenue from the credit / debit card custody appropriation to the GPR-earned or SEG-earned appropriation.

**STATE OF WISCONSIN
STATE ACCOUNTING MANUAL**

SECTION:	V Expenditures	EFFECTIVE DATE:	July 1, 2003
SUB-SECTION:	15 – Credit/Debit Card Processing Fees	REVISION DATE:	July 1, 2003
SUBJECT:	Policy and Procedures	PAGE:	3 of 3

If revenues are less than expenditures after the most recent invoice has been paid, the excess expenditures must be transferred to the agency’s budgeted appropriation where the program revenues were deposited:

Fund	Agy	Appn	AT	Acct	Acct Name	DR	CR	Type
XXX	XXX	1314	22	2748	Credit and Debit Card Processing Fees	200		Entered
XXX	XXX	9454	22	2748	Credit and Debit Card Processing Fees		200	Entered
XXX	XXX	1314	01	1000	Treasurer’s Cash		200	Offset
XXX	XXX	9454	01	1000	Treasurer’s Cash	200		Offset

JR transactions to transfer excess year-end expenditures from the credit/debit card custody appropriation to the agency’s budgeted appropriation for the program.

No convenience Fee/Budgeted Appropriation Model

If the agency does not add a convenience fee to the payment amount for the amount of the credit and debit card processing fees, the amount of the fees must be recorded directly to a budgeted appropriation. Agencies should use object code 2748 to record the monthly payment to the merchant processor.

ESTABLISHING CUSTODY APPROPRIATION 945

Agencies should contact the State Controller’s Office to establish custody appropriation 945.