

# CAPE COD TIMES

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## ECONOMY

# Main Street Matters: credit card swipe fees eating profits



**Denise Coffey**

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BOURNE — [Main Street Matters](#), an initiative to amplify the voices of [small businesses](#) over their shared problems, came to Cape Cod on Friday, May 8.

The statewide initiative, a collaboration of the Massachusetts Restaurant Association, the Retailers Association of Massachusetts, and the National Federation of Independent Businesses, held a panel discussion at Upper Cape Cod Regional Technical School.

“Business associations are trying to bring some issues that business associations are dealing with to the top of everyone’s inbox,” said Christopher Carlozzi, state director for the National Federation of Independent Businesses. The panel focused on credit card fees, skyrocketing health insurance premiums and energy costs, unemployment insurance, and some legislation being considered.

Carlozzi was joined by Stephen Clark, president and CEO of the Massachusetts Restaurant Association, and Bill Rennie, senior vice president of the Retailers Association of Massachusetts. The tour’s intention is to bring small business owners together to network and to bring their concerns to local legislators.

State representatives Thomas Moakley, D-Falmouth, David Vieira, R-Falmouth, and Steven Xiarhos, R-Barnstable, joined nonprofit leaders and small-business owners for the event.

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## Main Street Matters: credit card swipe fees

About 2,000 members representing 5,000 locations are represented by the restaurant association, according to Clark. Restaurants represent \$36 billion in sales, support 320,000 employees and are a huge economic driver for the state.

What many people may not realize is that credit card fees are the third largest cost to restaurants behind food and labor, Clark said. Swipe fees, or interchange fees, between 3% to 4% for Visa and MasterCard, eat away at profitability, he said.

“From a restaurant perspective, 30% of the revenue that comes in doesn’t stay,” Clark said. Twenty percent is for tips, 7% is for meals tax and another 3% to 4% for swipe fees. Yet when a customer uses a credit card, that swipe fee is based on the meal, the tip, and the meals tax.

Restaurants can get hit twice if they pay the meals tax with credit cards because state and local governments can pass the credit card fee along to the consumer, Clark added.

Twenty-six states are considering legislation to look at interchange rates on taxes and tips, Clark said. Visa and MasterCard control about 90% of the market and in the last quarter they raked in 31% to 32% profits.

“It seems we need some sort of regulation,” Clark said, adding that Visa averaged \$635,000 in profit per employee, and MasterCard averaged \$335,000 in profit per employee. “It's completely unbalanced.”

Federal legislation, the Credit Card Competition Act, is making its way through Congress. The intent of the bipartisan bill is to increase competition in the credit card market. In Massachusetts, Senate Bill 2819 is a proposed law aimed at regulating credit card surcharges and increasing fee

transparency for consumers. It would allow businesses to pass along swipe fees to consumers.

“It’s a duopoly,” Rennie said. “Visa and MasterCard dictate to every single bank in the country and the world, this is the rate. They control the entire system. A lot of our members say they prefer customers use cash or debit cards (debit card fees are capped at .30 or .50 per transaction). With credit cards, the sky is the limit.”

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