VeriPact Payments

Straight Talk. Smart Processing. Real Savings.

Payment Options Guide

Interchange-Plus | Cash Discounting | Hybrid Cash Discounting | Dual Pricing | Surcharging

Understanding Your Options for Offsetting Credit Card Processing Fees

Credit card processing fees are one of the largest hidden costs for small and mid-sized businesses — often ranging from 2% to 4% of every transaction. The good news? You have options. This guide walks you through five proven strategies to reduce or eliminate those costs while keeping your customers happy.

Each approach works differently, suits different types of businesses, and carries its own compliance requirements. VeriPact Payments is here to help you choose the right fit — no jargon, no hidden fees, no bull.

Model	In a Nutshell
Interchange-Plus Pricing	The most transparent model — you pay the wholesale interchange rate plus a small, fixed processor markup.
Cash Discounting	Post one price; give a discount when customers pay with cash/check.
Hybrid Cash Discounting	Merchant and customer share the processing cost — a balanced middle ground.
Dual Pricing	Display two prices side by side — a cash price and a card price.
Surcharging	Add a small percentage fee only when a customer pays with a credit card.

1. Interchange-Plus Pricing

What Is It?

Every time a customer swipes their card, part of the fee goes to the card-issuing bank. That's called the interchange fee — and it's non-negotiable. What *is* negotiable is the markup added by your processor.

Interchange-plus pricing = Interchange (wholesale cost) + a small, fixed markup.

This is the most honest and scalable pricing model for businesses that prefer to absorb processing costs rather than passing them to customers.

> *Think of interchange-plus as the "wholesale" approach to processing — you pay the true cost of each transaction plus a transparent, predictable margin to your processor.*

How It Works

We review your business type, volume, and setup needs to build a pricing structure that fits. Rather than bundling everything into a single flat rate, interchange-plus separates the wholesale cost (set by the card brands) from the processor's markup — so you always know exactly what you're paying and why.

Typical starting rates for a new, low-risk business:

Interchange + 0.50% + $0.10 per transaction + Monthly Fee

Key Benefits

- **Total transparency — You see exactly what the card brands charge vs. what your processor charges.**
- **Lower effective rates — Especially on debit cards and rewards cards, where interchange is naturally lower.**
- **No "one-size-fits-all" markup — Unlike flat-rate providers, your pricing reflects your actual transaction mix.**
- **Predictable processor margin — The markup stays the same; only the interchange varies by card type.**
- **Ideal for cost-conscious businesses — Perfect for merchants who want full control and visibility over their processing expenses.**

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2. Cash Discounting

What Is It?

With a cash discount program, your business posts a single listed price that includes the cost of card processing. When a customer chooses to pay with cash, or check, they automatically receive a small discount — typically 3–4% off the listed price. Customers who pay by credit card simply pay the posted price.

> *Think of it like gas stations that show a lower price for cash — it's the same concept applied to any business.*

Key Benefits

- **Eliminate processing costs — You effectively offset 100% of your card processing fees.**
- **Simple compliance — Legal in all 50 U.S. states and across Canada when properly implemented.**
- **Encourages cash payments — More cash in hand means faster access to funds and fewer chargebacks.**
- **Transparent pricing — One posted price with a clear discount shown on receipts for cash payers.**
- **Easy to implement — Modern POS terminals handle the discount automatically at the point of sale.**

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3. Hybrid Cash Discounting

What Is It?

Hybrid cash discounting is a shared-cost model where the merchant absorbs a portion of the credit card processing fee and the customer covers the remainder. Instead of passing 100% of the processing cost to either party, the fee is split — creating a balanced approach that eases the burden on the business while keeping the customer's added cost minimal.

How It Works

Like standard cash discounting, the business posts a single listed price. Cash and debit customers receive a discount at checkout. The difference is that the listed price includes only a partial markup for processing — not the full fee. The merchant covers the gap, splitting the cost with the card-paying customer.

Key Benefits

- **Balanced cost sharing — Neither the merchant nor the customer bears the full weight of processing fees.**
- **Stronger customer goodwill — Customers see a smaller price difference, which reduces friction and complaints.**
- **Significant savings over traditional processing — Even absorbing a portion of the fee can cut your costs by 50–70%.**
- **Flexible split ratios — You choose how much to absorb vs. pass through, and can adjust over time.**
- **Easier adoption for price-sensitive markets — A gentler transition for businesses concerned about customer pushback.**

Example Fee Split

Processing Fee	Merchant Absorbs	Customer Covers	Merchant Savings vs. Full Fee
3.00%	1.00%	2.00%	67% cost reduction
3.50%	1.50%	2.00%	57% cost reduction
4.00%	1.50%	2.50%	63% cost reduction

4. Dual Pricing

What Is It?

Dual pricing displays two prices for every product or service — a lower cash price and a slightly higher card price. Both prices are shown upfront on menus, shelf tags, or service boards so customers can make an informed choice before they reach the register.

> *This is the most transparent approach: customers always know exactly what they'll pay, regardless of how they choose to pay.*

Key Benefits

- **Maximum transparency — Both prices are visible before the sale; no surprises at checkout.**
- **Legally compliant everywhere — Dual pricing is legal in all 50 states and is the model preferred by major card brands.**
- **Reduces customer friction — Shoppers appreciate the upfront honesty and feel empowered to choose.**
- **Offsets processing costs — The card price includes your processing margin, so you keep more revenue.**
- **No negative receipt optics — Unlike surcharging, there's no added "fee" line on the receipt.**
- **Works with all card types — Applies to both credit and debit cards without regulatory conflict.**

⚖️ Compliance Note

Card brands recommend posting the card price as the standard price and showing the cash price as the discount. Signage at the entrance and register should explain the dual pricing model. Your POS system should clearly display both prices.

5. Surcharging

What Is It?

Surcharging adds a percentage-based fee to a transaction only when the customer pays with a credit card. The fee — typically up to 3% — is disclosed before the sale and appears as a separate line item on the receipt. Debit cards and prepaid cards cannot be surcharged under any circumstances.

> *Surcharging is the most regulated of the five models. It is powerful for businesses with high average tickets, but requires careful compliance.*

Key Benefits

- **Direct cost recovery — The surcharge is designed to cover exactly what you pay in processing fees.**
- **No price inflation — Your shelf/menu prices stay at the true cost of goods; the fee is separate.**
- **Effective for high-ticket sales — On a $5,000 invoice, a 3% surcharge saves you $150 in fees.**
- **Industry standard in B2B — Business buyers are accustomed to seeing surcharges on invoices.**
- **Customers can avoid the fee — Paying by debit, cash, or check means no surcharge applies.**

⚖️ Compliance Note — Important

Surcharging is prohibited or restricted in some states (check your state's current laws). You must notify Visa and Mastercard at least 30 days before implementing a surcharge program. The surcharge cannot exceed 3% (federal cap) or your actual cost of acceptance, whichever is lower. Clear signage at entry, at the register, and on receipts is mandatory.

Which Option Is Right for Your Business?

Every business is different. The right choice depends on your industry, average ticket size, customer expectations, and the state or province where you operate. Here's a quick rule of thumb:

- **Choose Interchange-Plus Pricing** if you prefer to absorb processing costs entirely and want the most transparent, scalable pricing with full visibility into every transaction.
- **Choose Cash Discounting** if you want the simplest setup and want to eliminate processing fees with minimal friction.
- **Choose Hybrid Cash Discounting** if you want to share the cost with your customers — reducing your fees significantly while keeping the customer's added cost small and manageable.
- **Choose Dual Pricing** if transparency is your top priority and you want a model that's compliant everywhere with no surprises for the customer.
- **Choose Surcharging** if your business handles high-value transactions and your customers are accustomed to seeing itemized fees.

Ready to Get Started?

Contact VeriPact Payments for a free, no-obligation consultation. We'll analyze your processing statements, recommend the best model for your business, and handle the entire setup.

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