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June 3, 2026

The Honorable Colorado State Senate
75th General Assembly
Second Regular Session
Colorado State Capitol
200 East Colfax Avenue
Denver, CO 80203

Dear Honorable Members of the Colorado State Senate,

Today, I vetoed Senate Bill 26-134 (SB 26-134), "Payment Card Networks' Fees," at

4:15pm.

This bill prohibits a payment card network from charging an interchange fee on the amount of a transaction attributable to tax. The bill aims to exempt cards from issuers that hold assets of less than \$60 billion. The bill also requires that a retail business with more than 500 statewide employees applies any savings resulting from the bill to reducing prices for consumers or investing in employee wages or benefits.

Since similar legislation first came up last year, I have been open to the core concept in this bill and the problem it is trying to solve. Colorado restaurants are the best in the world – and I want to do everything I can to support them during challenging times. Additionally, the credit card industry is ripe for disruption, and there is far too much friction in our transaction ecosystem. I would support addressing these issues at a national level, while at the state level we should facilitate new financial technologies that provide consumers and businesses with better and more innovative financial products.

Any support we can provide to Colorado's thriving small businesses is worthwhile and should continue to be a priority at the legislature. I want to thank the sponsors for this legislation, and in particular, Senator William Lindstedt, who worked on this bill extraordinarily hard. Their dedication to our small businesses, and in particular our bars and restaurants, is admirable and I deeply appreciate their efforts.

Ultimately, the bill presents too much legal risk to Colorado's business environment and consumers, with limited upside for our small businesses, for me to be comfortable signing.

I strongly support Colorado small businesses, especially our restaurant industry, and believe strongly that reducing or eliminating unnecessary fees is important to help small businesses thrive. During my Administration, we have worked to make Colorado the best place to run a small business, including through tax and fiscal policy I have championed that provides relief to small business, initiatives including the Colorado Startup Loan Fund, CLIMBER program, Rural Jump-Start Program, employee ownership supports, and more. We have also placed a special focus on the restaurant community, including this legislative session when my Administration successfully ensured that restaurants would receive tax relief in House Bill 26-1223, “Modifying Certain Tax Expenditures.” That bill expands an existing sales tax exemption on energy costs to a full reduction of sales tax paid on energy beginning on January 1, 2026 and re-establishes sales tax retention measures that lets restaurants keep a portion of the sales tax they collect during peak months in 2027 and 2028, with an estimated \$1,600 in savings per year in 2027 and 2028 from the sales tax deduction and additional savings on utilities bills. These measures provide clear and implementable relief that business owners can count on.

Based on a combined average sales tax of roughly 8%, SB 26-134 – if it ever went into effect – would save merchants roughly 0.13% of the gross total of a purchase. Other policies could provide and more better-targeted relief without the substantial legal risks and delayed timeline this bill entails.

First, it is quite possible this bill would never go into effect. Illinois, the only other state that has passed legislation, passed the similar “Interchange Fee Prohibition Act” (IFPA) as part of HB4951¹ in 2024; more than two years later, implementation of the bill has been delayed and the bill has been tied up in litigation. After Colorado’s own 2026 legislative session concluded, the Illinois General Assembly again opted to delay implementation of their legislation for the second time. Additionally, the federal Office of the Comptroller of the Currency (OCC) and National Credit Union Administration (NCUA) have taken steps to make clear that the federal government will argue that state-level legislation regarding swipe fees is preempted by federal law, with the OCC issuing interim final rules and an order on April 29² and the NCUA more recently indicated it would take action. Just earlier this week, the U.S. District Court granted a permanent injunction preventing Illinois from enforcing IFPA’s interchange fee limitation against national banks, banks chartered by states other than Illinois, federal savings associations, and payment card networks. The ongoing legal and legislative developments of IFPA create unstable grounds for passage and implementation of SB 26-134 in Colorado.

Even if the bill were to survive legal scrutiny and go into effect in our state, it is questionable whether this bill is fully implementable or operationally feasible. This would be a Colorado-specific carve-out to the national and global integrated payments system and it is

¹ <https://www.ilga.gov/documents/legislation/103/HB/PDF/10300HB4951lv.pdf>

² <https://www.federalregister.gov/documents/2026/04/29/2026-08341/order-preempting-the-illinois-interchange-fee-prohibition-act>

unclear to me how the state would implement it. There are a range of possible outcomes, including potentially requiring consumers to swipe twice for the same transaction and requiring small businesses to update their payment systems. Worse outcomes could impact mileage and points cards, tourism, and possibly the availability of credit or financing products. This could create chaos for our business environment, our tourism-dependent economy, and consumers that want to make purchases easily and efficiently.

I appreciate that sponsors intended to carve out small- and medium-sized banks and credit unions from the bill. However, small community banks and credit unions themselves told my office that, given the integrated nature of the global payments system and partnerships that exist in practice, they would in practice not be exempt.

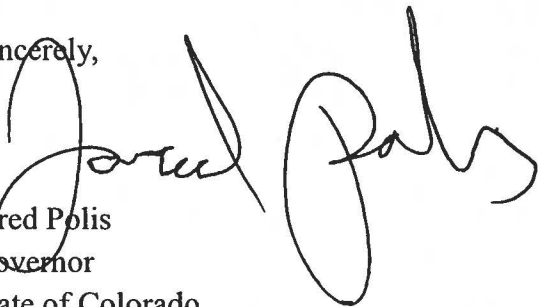
While not core to the bill, I was also concerned by a Senate floor amendment to require that a retail business with more than 500 statewide employees apply savings from the bill in specific ways. This amendment is problematic as a matter of policy. I do not believe it is appropriate for the government to direct private entities – no matter their size – how to use their revenues. This provision would also be impossible to enforce and sets a dangerous precedent in state statute.

I reiterate my thanks to the sponsors for bringing forward this important conversation, but for the reasons previously stated, I am unable to sign this legislation.

For these reasons, SB 26-134 is disapproved and vetoed.

Sincerely,

Jared Polis
Governor
State of Colorado

A handwritten signature in black ink, appearing to read "Jared Polis", is written over the typed name and title. The signature is fluid and cursive, with a large loop at the end.