

Typically, the ability to charge a surcharge only applies to purchases made with a credit card and, even then, only under certain conditions. However, Michigan does not have any law that prohibits or restricts debit card surcharges. So, limitations on charging a surcharge do not come from the state, but from card network policy. **In Michigan, while debit card surcharges are generally prohibited by card networks (Visa/MasterCard), fees categorized as flat "convenience" or "processing" fees are legally permitted when non-card options (ACH/money order) are available.** See MasterCard FAQ, pg. 4; and Visa FAQs, attached. As further example, [DTE](#) recently charged a processing fee for consumers paying by credit or debit card.

Notably, Michigan lawmakers are currently working to change this. On February 5, 2026, House Representatives introduced [Bill No. 5503](#) to amend 1939 PA 3 regarding the regulation of public utilities in the state. The Bill amends the processing fee utility providers may charge consumers. Specifically adding to the statute:

The standards for billing service adopted under this section must include provisions prohibiting utilities from charging residential customers a fee for paying the customer's utility bill with any of the following:

- (a) A credit card.*
- (b) A debit card.*
- (c) Cash.*
- (d) A Check.*
- (e) An automated clearing house payment.*
- (f) A money order.*

Still, until the Bill passes, current Michigan policy and card network rules apply.

Therefore, the issue here is whether the municipality is charging a "surcharge" or a "convenience fee." A convenience fee is a charge third parties assess for certain transactions such as using cash, check, Automated Clearing House (ACH), and Personal Identification Number (PIN) based debit. A surcharge is a fee charged specifically for using a credit card and is not charged if another payment method is used. Given the facts here, the "service fee" complained of is likely a convenience fee and not a surcharge because the fee is imposed only when using a non-credit payment channel.

Thus, the Water District is permitted to charge a flat rate service fee to cover the costs of processing debit card payments.