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## When a Donation Is Dinged

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Save to

After this month's crisis in Japan, the Red Cross raised tens of millions of dollars via credit-card donations. In response to the tragedy, [Visa](#), [MasterCard](#) and [American Express](#) waived their credit-card fees, bringing the organization more than \$1 million in additional funds.

This goodwill gesture masks an ugly reality: Our growing love affair with credit cards, especially rewards cards, carries a real cost for our charities, which wind up footing the bill for our card fees.

Retailers can adjust their prices to cover fee expenses. That isn't an option for charities, religious groups and other nonprofits, which usually can't pass along the fees because of rigid credit-card rules.

Card transaction fees have long been embroiled in controversy. The Federal Reserve, prompted by last year's Dodd-Frank financial-overhaul law, has proposed capping debit-card fees at 12 cents a transaction from an average of 44 cents now. Banks are up in arms over the proposal, saying that cutting the fees will lead to limits or new consumer charges on debit-card use.

Credit-card transaction fees are higher—2.5% to 3% per transaction, on average—with rewards cards typically carrying higher charges than other cards.

The fees apply whenever you use a credit card, whether you donate over the phone, in person or online. Online donations grew 40% last year, according to [Convio](#), a provider of software to nonprofits, though they still make up only about 10% of overall giving.

Credit-card donations offer some benefits to charities, reducing administrative costs, smoothing cash flows and eliminating bad checks. In addition, says Katya Andresen, chief operating officer of [Network for Good](#), an online donation website, the average online contribution is more than \$100, while the average check donation is in the \$30 range.

Individuals who donate through Network for Good, itself a nonprofit, pay an additional 3% to 5% to cover credit-card fees and other administrative costs.

Increasingly, when consumers use cards to pay for taxes, tuition and utilities, governments, schools and power companies pass along those fees by tacking on "convenience" charges to customers' bills. Though the rules are murky, even a few charities are resorting to this maneuver.

If you want to charge a donation to your credit card but don't want to penalize the charity, you could add an additional amount—say, 3% of your initial donation—to cover the extra costs.

But if you are just looking for convenience and to avoid the hassle of finding a stamp, consider making your payment through your bank's online bill pay, or allow your charity to debit your bank account. The cost to you is usually zero and the transaction cost can be less than 25 cents.

Here are other cost considerations to consider before you whip out the plastic:

- **Taxes.** The Internal Revenue Service, which began accepting credit cards in 1999, by law can't pay credit-card fees. Instead, third-party firms collect them for the IRS, adding on convenience charges of about 2% to the tax bill to cover the costs. Many local and state governments have followed suit, taking credit cards for income taxes, property taxes and court costs but charging taxpayers extra for the privilege.

- **Education.** MasterCard and American Express have special programs for elementary and secondary schools and colleges, so that parents eager to collect miles can pay tuition with a card and schools can tack on convenience charges, usually about 3%.

Many schools don't accept Visa because of its prickly rules: Visa typically allows merchants and nonprofits to add only a flat convenience charge, not a percentage, to a bill. And that charge can be assessed only on transactions that go through an alternative channel, such as paying online rather than in person.

- **Utilities.** Utilities also can add convenience charges to their bills for card payers. But to discourage them from doing so, credit-card issuers a few years ago developed special programs that reduce the bank fees that participating utilities pay.

- **Rewards.** While it may be tempting to pick up 10,000 or 20,000 miles from paying tuition with your credit card, the convenience charge will almost certainly outweigh the value, says Tim Winship, publisher of [FrequentFlier.com](http://FrequentFlier.com). He estimates that airline miles used for domestic flights are worth about 1.2 cents each, based on an average airfare of about \$350, about half of what you would pay in convenience fees. "You should never overpay to collect miles," he says.

The exception: If you can nab a more-expensive ticket for your miles. A business-class flight to Europe may cost you 100,000 miles but save you an \$8,000 ticket. Good luck finding such a seat, though: Demand far outstrips supply.