

BILL ANALYSIS

C.S.S.B. 1381
By: Hughes
Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties contend that merchants and banks would be better able to minimize fraudulent transactions and losses if merchants were authorized to require an individual using a credit or debit card to provide photo identification to verify the individual's identity as the cardholder. C.S.S.B. 1381 seeks to reduce credit and debit card fraud by providing for a merchant's authority to implement such an identification requirement.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.S.B. 1381 amends the Business & Commerce Code to authorize a merchant to require an individual using a credit card or debit card in a point of sale transaction to provide government-issued photo identification verifying the individual's identity as the cardholder. The bill authorizes the merchant to choose to not accept the card for payment if the individual fails to provide such photo identification. The bill expressly does not apply to transactions conducted with a device that uses an encrypted digital token to authenticate a cardholder's identity and account information. The bill expires September 1, 2023.

EFFECTIVE DATE

January 1, 2018.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.B. 1381 may differ from the engrossed in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the engrossed and committee substitute versions of the bill.

SENATE ENGROSSED

SECTION 1. Subtitle A, Title 11, Business & Commerce Code, is amended by adding Chapter 508 to read as follows:

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subtitle A, Title 11, Business & Commerce Code, is amended by adding Chapter 508 to read as follows:

85R 28930

17.125.1178

Substitute Document Number: 85R 23688

CHAPTER 508. REQUIRING VERIFICATION OF IDENTITY FOR CERTAIN CARD TRANSACTIONS

Sec. 508.001. DEFINITIONS. In this chapter:

(1) "Cardholder" means the person named on the face of a credit card or debit card to whom or for whose benefit the credit card or debit card is issued.

(2) "Credit card" means a card or device issued under an agreement by which the issuer gives to a cardholder the right to obtain credit from the issuer or another person.

(3) "Debit card" means a card, device, or other means of access to an individual's account at a financial institution that the individual may use to initiate electronic fund transfers.

(4) "Merchant" means a person in the business of selling goods or services.

(5) "Photo identification" means a card or other document that:

(A) is issued by a governmental entity to identify an individual; and

(B) displays a photograph of the individual identified on the card or other document.

Sec. 508.002. REQUIRING PHOTO IDENTIFICATION FOR CREDIT OR DEBIT CARD TRANSACTION. (a) A merchant, in a point of sale transaction, may require the individual using the credit card or debit card to provide photo identification verifying the individual's identity as the cardholder.

(b) A merchant may choose to not accept the card for payment if the individual fails to provide photo identification verifying the individual's identity as the cardholder.

SECTION 2. This Act takes effect January 1, 2018.

CHAPTER 508. REQUIRING VERIFICATION OF IDENTITY FOR CERTAIN CARD TRANSACTIONS

Sec. 508.001. DEFINITIONS. In this chapter:

(1) "Cardholder" means the person named on the face of a credit card or debit card to whom or for whose benefit the credit card or debit card is issued.

(2) "Credit card" means a card or device issued under an agreement by which the issuer gives to a cardholder the right to obtain credit from the issuer or another person.

(3) "Debit card" means a card, device, or other means of access to an individual's account at a financial institution that the individual may use to initiate electronic fund transfers.

(4) "Merchant" means a person in the business of selling goods or services.

(5) "Mobile wallet" means a device that uses an encrypted digital token to authenticate a cardholder's identity and account information.

(6) "Photo identification" means a card or other document that:

(A) is issued by a governmental entity to identify an individual; and

(B) displays a photograph of the individual identified on the card or other document.

Sec. 508.002. REQUIRING PHOTO IDENTIFICATION FOR CREDIT OR DEBIT CARD TRANSACTION. (a) A merchant, in a point of sale transaction, may require the individual using the credit card or debit card to provide photo identification verifying the individual's identity as the cardholder.

(b) A merchant may choose to not accept the card for payment if the individual fails to provide photo identification verifying the individual's identity as the cardholder.

(c) This section does not apply to transactions conducted with a mobile wallet.

Sec. 508.003. EXPIRATION. This chapter expires September 1, 2023.

SECTION 2. Same as engrossed version.