

# Chip Payment Acceptance for Restaurant Merchants

## Understanding Tip and Gratuity Options

Visa is committed to helping restaurant merchants understand the migration to EMV® in the U.S. Are you prepared to accept EMV chip cards? As more financial institutions decide to issue EMV chip cards, you may notice more customers using cards in your restaurant that include an EMV chip. Although you will continue to accept magnetic-stripe cards, you should also be prepared to accept chip cards as well.

As the U.S. migrates to chip, restaurant merchants that accept tips and gratuities on cards must consider how to best serve their customers while limiting disruption to their business. Accepting chip cards at a restaurant can be accomplished without affecting current practices.

The most common practice in the U.S. is to add a tip or gratuity after the authorization has occurred, and this practice can continue since chip supports the same process. While we suggest that merchants maintain their current acceptance practices when migrating to chip, there are two basic models for authorizing tips and gratuities added to a Visa card transaction:




### Consumer Experience

The consumer experience does not need to change when presenting a chip card in a restaurant.

### 1. Tip Allowance

The merchant gets authorization for the transaction amount only. A tip can be added by the customer and included in the amount deposited by the merchant.* This approach is most commonly used when the server processes the transaction away from the customer.

**Tip Allowance after Authorizations (up to 20%)**

| | $100 check presented to consumer | Card put in check presenter | Electronic read of card in terminal | Authorization amount | Check goes back to consumer | Consumer adds <= 20% tip | Adjust tip in settlement |
|---|---|---|---|---|---|---|---|
| EMV | ✔ | ✔ | Insert | $100 | ✔ | ✔ | <= $120 |
| MAG-STRIPE | ✔ | ✔ | Swipe | $100 | ✔ | ✔ | <= $120 |

* The following merchant category codes are allowed to add up to 20% to the authorization amount with no liability for authorization-related disputes: MCC 5812—Eating Places and Restaurants; MCC 5813—Drinking Places (Alcoholic Beverages); MCC 5814—Fast Food Restaurants.

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## 2. Include the Tip in the Authorization Amount

The merchant can include the amount of the tip in the total authorization amount. This is mostly used when the client is present with the terminal, such as at a counter or when a portable terminal is brought to the table.

**Note:** Issuers may hold an additional 20% above the authorized amount to cover an allowed tip, but may create confusion for the cardholder when they review their account for funds availability.

**Exact Tip Authorization (Counter Pay or Table Pay)**

| | $100 check presented to consumer | Electronic read of card in terminal | Consumer adds 20% tip | Authorization amount | Settlement amount |
|---|---|---|---|---|---|
| EMV | ✔ | Insert | ✔ | $120 | $120 |
| MAG-STRIPE | ✔ | Swipe | ✔ | $120 | $120 |

**Note:** With both of these options the merchant knows the exact amount to be authorized. It will either be the transaction amount, or the transaction amount with the approved tip amount. Merchants must not add an estimated tip amount to the authorization request.

### Merchant Experience

Employee inserts, not swipes, the consumer's card into terminal.

Card does not need to be present for final settlement amount (authorization + tip), just like today.

Merchants will need to educate employees on how to use chip cards.

## Portable Terminals

While a restaurant merchant may decide to add portable terminals to their inventory, they should **not** do so solely on their decision to accept chip cards. Instead, they should consider all of the following:

- The costs associated with deploying the additional terminals.
- The overall disruption to the cardholder payment experience (pay-at-table solution versus authorize-at-server station).
- The increased costs to add new terminals to a business.

### For More Information

For more information about EMV chip payment acceptance, please contact your acquirer merchant relations representative, or visit www.visa.com.

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