STATE OF NEW YORK
LIQUOR AUTHORITY

TO: Off-premises liquor (“package store”) licensees
Off-premises wine (“wine store”) licensees
On-premises licensees providing adult entertainment
“C” beer wholesalers selling beer at retail

SUBJECT: EBT Transactions

The federal Middle Class Tax Relief and Job Creation Act of 2012 requires states to report to the Secretary of the Department for Health and Human Services, no later than February 22, 2014, as to what “policies and practices” a state has put in place to prevent federal Temporary Assistance for Needy Families (TANF) benefits from being used in any electronic benefits transaction at designated types of businesses, including certain establishments that sell alcoholic beverages. Failure to comply with this reporting requirement could result in the imposition of federal sanctions that could be as high as 5% of a state’s annual TANF block grant funding. Five percent of New York’s annual TANF grant is $122 million.

New York State issues its cash public assistance to eligible citizens through a system known as Electronic Benefit Transfer (EBT). EBT operates on the private sector commercial debit/credit infrastructure that encompasses automated teller machines (ATMs) and point of sale (POS) devices at checkout counters in retail stores. Using EBT, public assistance recipients can withdraw all or a partial amount of their cash assistance from an ATM. They also can use the card to debit their cash account for purchases and cash back transactions at POS devices in any number of retail outlets that accept the EBT card. Every month, New York State EBT card holders make more than 400,000 ATM withdrawals, and almost 800,000 POS transactions.

Currently, public assistance recipients can access their cash assistance benefits in any location where an ATM or POS device is programmed to accept the EBT card. Within the past year there has been legislative and media attention across the nation regarding the types of stores where EBT transactions occur. EBT transactions at these places have drawn unwanted negative media attention to individual businesses including retail licensees that accept EBT cards.

As part of his budget proposal, Governor Cuomo has introduced legislation to comply with the federal requirement. That legislation would prohibit package stores, wine stores, and "C" beer wholesalers that sell beer at retail from accepting an EBT card for payment. The prohibition would also apply to on-premises licensees who, under the Rules of the Authority, have "topless" female dancers. Pending enactment of this legislation, these licensees can take immediate steps to voluntarily block electronic cash purchases from EBT accounts in their licensed premises. Any licensee that has POS service already has an existing contract with a third party processor that routes electronic transactions through the commercial debit and credit networks. In most cases, some types of debit and credit cards are already blocked – for example, a store may accept MasterCard or Visa but not Diner's Club or American Express.

Licensees can simply request their third party processors to also block the NYS EBT card's unique Bank Identification Number (BIN), 600486, from being able to complete a transaction in the licensed premises. Third party processors routinely add and block BINs via software updates on a regular basis as part of the service they provide to retail businesses. Most third party processors do so as part of their service agreements. Once blocked, an EBT cardholder would receive the same message that any other customer with a non-participating debit/credit card would receive – "your debit card is not accepted by our system". The card would simply be declined.

A licensee that has any questions or needs assistance in voluntarily implementing EBT card blocking can contact Al Rios at the New York State Office of Temporary and Disability Assistance by phone at: 518-473-9696 or via e-mail at: al.rios@otda.ny.gov .

This advisory replaces and rescinds Advisory #2014-1, adopted by the Members of the Authority at the January 3, 2014 Full Board meeting.