

Sponsor Statement

HB 516: *An act relating to a charge for a bad check.*

[House Bill 516](#) is an effort to clarify [AS 09.68.115](#), the statute that pertains to “bounced checks” and clarify current law that leaves businesses vulnerable to litigation, which may question the costs for collecting on insufficient-funds checks.

Currently this statute does not allow aggrieved creditors or their agents to assess a *fixed surcharge* on bounced checks. This is problematic, as the plaintiff must first give the check writer an opportunity to “make good” on the bounced check plus the “costs incurred by the plaintiff up to a maximum of \$25.” They must also keep a separate ledger to track and defend their costs incurred in the collection procedure.

Many states have statutes that allow creditors to assess a statutory penalty for an insufficient-funds check. These fees go up to as high as \$40 per checks, and some charge an annual interest rate that begins on the date the check was issued.

This bill proposes to impose a flat fee of \$30 for a bounced check, which more accurately reflects the cost of collecting on these bad checks and frees the creditor from the burden of having to document “costs incurred” on each bounced check. Currently, this fee can be up to, but no greater than \$25. It is common practice for banks to assess a flat \$25 fee for bad checks and does not require them to send a letter of notification or make a phone call.

Passage of HB 516 will make it less likely for the statute to be challenged and will put Alaska on par with other states that specify a statutory penalty fee for bad checks. This lessens the burden currently placed on businesses as they attempt to collect payment for goods they have already provided to their customers.