Level 3 Credit Card Processing for B2B Payments

How to secure the best rates on B2B and B2G transactions

B2B Payments Defined

Any transaction that occurs between two business entities is an example of Business to Business (B2B) payments.

B2B Payments are unique from Business to Consumer (B2C) payments, and the needs of B2B businesses have grown increasingly complicated as the payments market has developed.

Notably, corporate purchase card transactions are priced differently from consumer credit card transactions.

Selecting the right processing level for any transaction simply requires understanding how much data you provide. Level 3 processing provides the highest savings for B2B payments and requires the most data to be submitted.

What Is Level 3 Processing?

Level 3 B2B payment processing can lower processing rates for qualifying B2B and Business to Government (B2G) transactions.

Qualified Level 3 transactions save money by using lower interchange rates than Level 1 or Level 2 transactions.

Businesses must be a qualified B2B merchant for the credit card networks to approve Level 3 processing. Specific line item transaction data is captured and submitted.

In addition to the required fields of address, merchant name, invoice number, and tax amount, line item details need to be submitted, including item description, product and commodity codes, freight amount, quantity, and unit of measure. The comprehensive reporting helps monitor spending. Level 3 processing requires the most data points, but results in the best possible rates.

B2B Payments Benefits

- ✔ Reduced processing time
- ✔ Reduced approvals
- ✔ Reduced admin cost
- ✔ Improved visibility
- ✔ Improved data reporting
- ✔ Smooth supplier relations
- ✔ Improved cash flow

B2B Payments Tip

Most companies don't use Level 3 processing even though it has been around since 2012.

Level 1 Versus Level 3

Understanding the different levels for credit card processing rates is simply an understanding of how much data is provided.

Level 1 is for B2C sales and provides limited data about the purchase. Level 1 is only for standard cards, such as personal credit or debit cards. Transactions with these types of cards are usually a "card present" sale in a traditional brick-and-mortar store.

Merchant Name	L1	L2	L3
Transaction Amount (Total)	●	●	●
Date	●	●	●
Tax Amount		●	●
Customer Code (30 Char)		●	●
Merchant Postal Code		●	●
Tax Identification		●	●
Merchant Commodity Code		●	●
Merchant SIC Code		●	●
Ship from Postal Code			●
Ship to Postal Code			●
Invoice Number			●
Order Number			●
Item Product Code			●
Item Commodity Code			●
Item Description			●
Item Quantity			●
Item Unit of Measure			●
Item Extended Amount			●
Freight Amount			●
Duty Amount			●

Level 2 is for B2B transactions using a credit card for purchases and where the issuer provides Level 2 discounted interchange rates for additional data. Not all card networks accept Level 2 data. B2C standard cards are not accepted. Level 2 only accepts B2B transactions with corporate cards. Additionally, the cards must be processed at a stand-alone terminal or at a gateway.

Level 3 includes the same data captured with Level 1, Level 2 and more. See the chart above to see the Level 3 processing data requirements.

Level 3, also seen as "Level III," requires line item details equivalent to the information found on an invoice. The comprehensive data requirements provide insight and the ability to monitor transaction data.
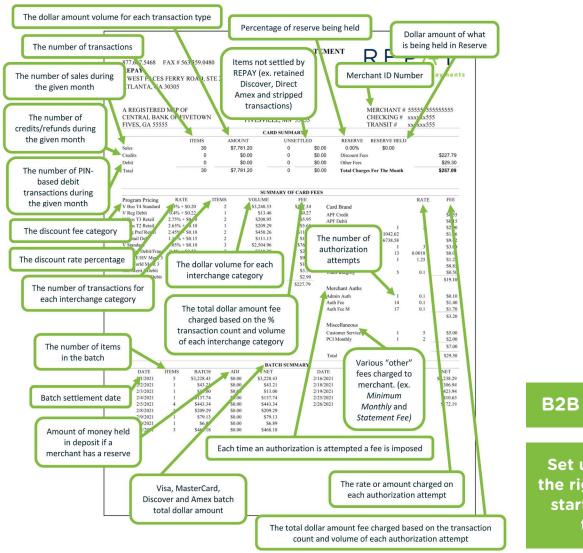
B2B Payments Tip

Card-present and card-not-present transactions have different rules, risks, and regulations.

How to Qualify for Level 3 Pricing

Level 3 processing incentives are provided by the card brands because in-depth data provides them with added security and protection from fraud.

Detailed reporting for Level 3 processing tracks from purchase to settlement, and can be tailored using 60 different data points.

Not all types of cards or payment methods are eligible for Level 3 discounts. In order to qualify for Level 3, cards must be a purchase or procurement "P-card" used by corporate and government buyers. Wire transfers, for example, are a form of B2B payment that are not eligible for Level 3 discounts.

Callout labels (left to right, top to bottom):
- The dollar amount volume for each transaction type
- Percentage of reserve being held
- Dollar amount of what is being held in Reserve
- The number of transactions
- Items not settled by REPAY (ex. retained Discover, Direct Amex and stripped transactions)
- Merchant ID Number
- The number of sales during the given month
- The number of credits/refunds during the given month
- The number of PIN-based debit transactions during the given month
- The discount fee category
- The number of authorization attempts
- The discount rate percentage
- The dollar volume for each interchange category
- The number of transactions for each interchange category
- The total dollar amount fee charged based on the % transaction count and volume of each interchange category
- The number of items in the batch
- Various "other" fees charged to merchant. (ex. *Minimum Monthly* and *Statement Fee*)
- Batch settlement date
- Amount of money held in deposit if a merchant has a reserve
- Each time an authorization is attempted a fee is imposed
- Visa, MasterCard, Discover and Amex batch total dollar amount
- The rate or amount charged on each authorization attempt
- The total dollar amount fee charged based on the transaction count and volume of each authorization attempt

B2B Payments Tip

Set up your account the right way from the start to avoid long-term issues.

B2B Level 3 processing rates are not available for flat rate or tiered rate credit card pricing plans, and therefore merchants must be on an Interchange Plus Pricing plan to realize these savings. Interchange Plus Pricing plans pass the interchange costs directly onto the merchant with a fixed markup. For a review of the credit card payments process, processing pricing plans, and interchange rates, download our **Merchant's Guide to Integrated Payment Processing.**

Maximizing Level 3 Benefits

Due to extensive data requirements, merchants accepting Level 3 transactions should seek out integrated payment solutions to streamline that process. Integrated and automated Level 3 processing solutions eliminate manual entry of line item detail, and pull required data points from the ERP without additional labor, man hours, or manual data digging. Seamless integrations with your payments provider, accounts payable, inventory, CRM, and other software allow information to easily flow where it is needed.

An all-in-one payments provider with Level 3 can be a payments processor and gateway that seamlessly integrates with multiple ERP systems and eCommerce solutions.

Omni-channel integrated payment processing can streamline workflows, reduce costs, and delight modern customers. In the increasingly digital age, businesses need to accept payments across multiple channels to meet consumer demand. It is important for merchants to ensure that all possible Level 3 savings are automatically processed, no matter how a customer pays, and that payment information is processed automatically through seamless integrations.

Why You Might Not Receive Level 3 Rates:

Not all payment providers and card networks will offer Level 3. Merchants must work with a Level 3 processor to realize these savings. Visa and Mastercard are two card networks that offer Level 3 pricing.

The card networks also have specific rules on how cards are processed in order to receive Level 3 designation and rates. Sending line item detail for Level 3 is only one part of the requirements, and violating these rules can make transactions not only ineligible for Level 3 but may downgrade the transaction to standard, which will end up increasing the price by 65 basis points. A trusted payments provider can be your partner in the payments industry, and guide you in implementing these and other requirements.

Some violations for Level 3 transactions can include:

- Preauthorizing a transaction and settling above the original amount

- Failing to settle a transaction within 48 hours

- Failure to fill out zip code

B2B Payments Tip

Level 3 typically cost 0.50 - 1.50% less than standard Level 1 rates.

How REPAY Can Help

When selecting a credit card processor, there are many details to consider. Level 3 processing requires a gateway that is designed to handle Level 3. REPAY supports Level 3 processing for US accounts with an in-house gateway and data capture to reduce duplicative fees and manual entry. REPAY automatically passes along all the Level 2 and Level 3 data with seamless ERP and eCommerce integrations.

REPAY offers omni-channel integrated payment solutions for every business. Whether you are making B2B payments or collecting them, REPAY is your full-service payments provider. Offering an all-in-one payments solution that is trusted by thousands of clients daily to process AR payments, automate AP supplier payments, and reduce risk without changing your current accounting processes. Our AR payment solutions enable clients to benefit from multiple payment methods, Level 3 B2B rates, increased cash flow with online payment portal capabilities, and seamless integration to help customers save time. Power up your payments to empower your business and accelerate the AP and AR payment flow with Integrated B2B Payments from REPAY today!

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