



## Authorization and Reversal Processing Requirements for Merchants



For merchants eligible to perform estimated/initial and incremental authorizations

Estimated/initial authorizations give eligible merchants the ability to better process transactions when the final amount of a transaction is not known. Partnered with estimates/initial authorizations, incremental authorizations give merchants further flexibility to increase the amount authorized as conditions change or additional charges accrue.

The best practices in this document can help merchants to maximize the benefits of this authorization processing capability, while creating the best experience for the customer.

### Authorizing transactions

Authorizations are a key part of any transaction, giving merchants the ability to complete the transaction. With each successful authorization, the amount available to the cardholder for other purchases is typically reduced to cover the approved transaction- this is commonly known as an authorization hold. Authorizations are meant to be settled; however, when they are not, it can cause a problem for cardholders when the authorization is tying up money that can be used for other purchases. This guide outlines simple steps that can be taken to prevent such problems.

## Estimated and incremental authorizations

Visa systems and rules allow certain merchants to obtain an estimated/initial authorization when the final amount of the purchase is unknown and to use incremental authorizations if needed.

Merchants should follow documented Visa authorization procedures for obtaining estimated/initial and incremental authorizations, including using appropriate identifiers such as reusing the Transaction Identifier from the original authorization for any incremental authorizations. Incorrect coding may result in the issuer not matching the authorization and clearing, and may result in an improper hold and dispute liability. In addition, this may lead to customer complaints to merchants, as cardholders may believe they have been double charged.

### When to use estimated/initial authorizations

Estimated/initial authorizations may only be used when the merchant does not know the final amount when the transaction begins. For example, an estimated authorization is appropriate when a cardholder checks into a hotel, but not when the cardholder is prepaying an agreed amount. Estimated/initial authorizations should be used for:

- **Lodging, Cruise Line, Taxi Cab<sup>1</sup> and Amusement Park Merchants:** Amount that the merchant expects the cardholder to spend during the stay, voyage or trip, plus applicable taxes.
- **Passenger Transportation, Bus and Railway Merchants:** Amount equal to the price of the cheapest journey a Cardholder can take.
- **Vehicle Rental and Other Rental Merchants:** Cost of cardholder's intended rental period, plus taxes and mileage rates, if applicable.
- **Grocery,<sup>1</sup> Restaurant and Bar Merchants:** Actual cost of food/ beverages ordered plus applicable taxes before tip.
- **Parking and Electric Vehicle Charging:** Amount that the merchant expects the cardholder to spend for the parking or charging session.

**Important:** Under no circumstance can authorizations include charges that cover potential damage or an insurance deductible amount.

### When to use incremental authorizations

Incremental authorizations can be used to increase the total amount authorized if the amount of the estimate/initial authorization is insufficient. An incremental authorization request may also be based on a revised estimate of what the cardholder may spend. Incremental authorizations do not replace the original authorization — they are additional to previously authorized amounts — the sum of all linked estimated and incremental authorizations represent the total amount authorized for a given transaction.

Multiple incremental authorizations can be performed throughout the duration of the transaction. At the end of the transaction, an incremental authorization must be obtained if:

- **Cruise Line and Lodging Merchants:** Final amount of the purchase is more than 15% higher than the sum of the authorized amounts.
- **Vehicle Rental Merchants (including car and truck rental):** Final amount of the purchase is more than 15% higher than the sum of the authorized amounts or USD 75, whichever is greater.
- **Restaurant and Bar Merchants:** Final amount of the trip or purchase including taxes and tips is more than 20% higher than the sum of the authorized amounts.
- **Taxicab,<sup>1</sup> Grocery,<sup>1</sup> Parking and Electric Vehicle Charging:** Final amount is more than the sum of the authorized amounts.
- **Other Rentals, Commuter Transportation, Bus, Railway and Amusement Park Merchants:** Final amount of the purchase including taxes is higher than the sum of the authorized amounts.

One or more incremental authorizations can be requested while the transaction has not yet been finalized (submitted for clearing). Incremental authorizations must not be used once the original transaction has been submitted for clearing. In such a scenario, a new authorization for the delayed charge must be requested.

<sup>1</sup> Card Absent Environment Only.

## Eligible Merchants

MCC	SEGMENT
3351-3500, 7512	Car Rental
3501-3999, 7011	Lodging
4111	Local and Suburban Commuter Passenger Transportation, including Ferries
4112	Passenger Railways
4121	Taxicabs and Limousines (Card-Absent Environment only)
4131	Bus Lines
4411	Steamship and Cruise Lines
5411	Grocery Stores <sup>1</sup>
5552	Electric Vehicle Charging*
5812	Eating Places and Restaurants
5813	Drinking Places (Alcoholic Beverages), Bars, Taverns, Cocktail Lounges, Nightclubs and Discotheques
7033	Trailer Parks and Campgrounds
7394	Equipment, Tool, Furniture and Appliance Rental
7513	Truck Rentals
7519	Motor Home and Recreational Vehicle Rentals
7523	Parking Lots, Parking Meters and Garages*
7996	Amusement Parks, Carnivals, Circuses, Fortune Tellers
7999	Recreation Services
* Additional MCCs eligible as of October 2019	

## How to process

In order to appropriately process estimated and incremental authorizations, merchants should work with their acquirers to ensure that all fields are being populated correctly, including:

<b>Transaction Identifier (TID)</b>	This field must match the Transaction Identifier (TID) generated by Visa and returned as part of the response message to the original authorization request. The TID is a key element that links original authorization requests to subsequent messages, such as reversals.
<b>Additional (Estimated) Authorization Indicator</b>	This field is utilized to indicate an estimated/initial authorization.
<b>System Trace Audit Number</b>	This is a number assigned by the merchant that uniquely identifies a cardholder transaction and all the message types that it comprises. The same trace number is used in an estimated authorization request and response, incremental authorization request and response, and in a subsequent reversal request and response.
<b>Retrieval Reference Number</b>	This field must contain the value from the original authorization request message. The Retrieval Reference Number is used with other key data elements to identify and track all messages related to a given cardholder transaction. It is usually assigned by the acquirer, but it may be assigned by a merchant or by an individual electronic terminal.
<b>Message Reason Code</b>	This field is used to identify the reason for the authorization (i.e. Incremental Authorizations). U.S. Merchants may use the Authorization Characteristics Indicator to identify incremental authorizations alternatively.

Please note that field names mentioned in this document refer to messages exchanged between Visa and financial institutions (such as issuers and acquirers) when processing transactions. Field nomenclature and formats for messages exchanged between merchants and processors or acquirers may differ from these.

Multiple standalone authorizations should not be processed for one payment transaction. If incremental authorizations are not properly coded, issuers may not be able to link associated authorizations, which may lead to cardholder frustration. Additionally, cardholder funds may be held in error.

**Note:** Acquirer/Merchant may have Dispute Condition 11.3 (No Authorization) dispute liability if transactions are not properly formatted, including but not limited to the following errors:

- Not estimated authorization indicator on the first authorization
- No incremental authorization indicator on all subsequent incremental authorizations
- Mismatching Transaction ID between the first authorization and the incremental authorizations

**Important:** The first authorization (estimated/initial) determines the final transaction characteristics (i.e. whether a transaction took place in a card present or card not present environment). Incremental authorizations are not taken into consideration for this purpose.

## Authorization validity for estimated/initial authorizations

Visa has introduced a single point of reference for the length of time an estimated/initial authorization is valid to complete the transaction:

- **Lodging, Vehicle Rental, Cruise Lines** – 31 days from day of initial authorization approval
- **Commuter Transportation, Bus, Railway Merchants** – 7 days (in the U.S. 3 days) from the date of initial authorization approval
- **Other Rental Merchant Categories** – 7 days from day of initial authorization approval
- **Other Card-Present Transactions** – Day of the approval (same as transaction date)
- **Other Card-Absent Transactions** – 7 days from day of initial authorization approval

Prepayments (including travel), delayed charges, cancellation penalties (no-shows) are valid for the day of approval (same as transaction date). Merchants should work with their acquirer for the complete list of segment and validity periods.

Incremental authorizations do not extend authorization validity periods. In the case of extended stays, cruises or rentals longer than the validity period of the original authorization, the original transaction must be closed within the validity period listed above. A new authorization (reauthorization) may be requested for additional charges. The validity of the reauthorization follows the same rules as the original authorization. A reauthorization can be estimated as well, and incremental authorizations can be performed for a reauthorization.

## Authorization reversals

Authorization reversals notify the issuer that all, or part, of a transaction has been cancelled and that the authorization hold should be removed and open to buy amounts may be adjusted.

### When to use

To help ensure that cardholders have access to all of their available funds, merchants should process authorization reversals:

- **Transaction not completed:** Entire authorized amount must be reversed within 24 hours of the earlier of when the merchant became aware that that transaction would not be completed or the end of the authorization validity period.
- **Completed transaction** at a Vehicle Rental, Lodging or Cruise Line that included an Estimated Authorization and sum of the estimated authorization and any incrementals exceeds the final amount by more than 15%: (20% including tips for Taxicabs) the difference between the total authorized amount and the transaction amount must be reversed within 24 hours of when the transaction is completed.
- **Other completed transactions** where estimated authorizations are allowed, if the sum of the estimated authorization and any incrementals exceeds the final amount: the difference between the authorized amount (or amounts) and the Transaction amount must be reversed within 24 hours of when the transaction is completed.

### How to process

With missing or non-matching data elements, the issuer may not be able to match the authorization reversal to the original authorization. This could mean that the funds remain held for a longer period. Cardholders may interpret this as being an extra charge by the merchant, which may result in inquiries or complaints from cardholders to the merchant.

In order to appropriately process authorization reversals, merchants should work with their acquirers to ensure that all fields are being populated correctly, including:

<b>Transaction Identifier (TID)</b>	This field must match the Transaction Identifier (TID) generated by Visa and returned as part of the response message to the original authorization request. The TID is a key element that links original authorization requests to subsequent messages, such as reversals.
<b>System Trace Audit Number</b>	This is a number assigned by the merchant that uniquely identifies a cardholder transaction and all the message types that it comprises. The same trace number is used in an estimated authorization request and response, incremental authorization request and response, and in a subsequent reversal request and response.
<b>Retrieval Reference Number</b>	This field must contain the value from the original authorization request message. The Retrieval Reference Number is used with other key data elements to identify and track all messages related to a given cardholder transaction. It is usually assigned by the acquirer, but it may be assigned by a merchant or by an individual electronic terminal.
<b>Transaction Amount</b>	Authorization reversals (full or partial) should always contain the original transaction amount in this field. In the case of authorizations which have been incremented, this field should contain the total amount authorized (sum of all original and incremental authorizations).
<b>Replacement Amount</b>	Contains the corrected amount of an authorization transaction.

Please note that field names mentioned in this document refer to messages exchanged between Visa and financial institutions (such as issuers and acquirers) when processing transactions. Field nomenclature and formats for messages exchanged between merchants and processors or acquirers may differ from these.

Incremental authorizations are extensions of the original authorization. Since all subsequent messages are connected through the same TID, only one reversal is needed for a linked sequence of authorizations and incremental authorizations.

## Disclosure requirements

Merchants (except transit, restaurants and bars) that request an authorization for an amount that is not the final transaction amount must inform the cardholder that the authorization is an estimate and not final, and the authorization amount.

Merchants (except transit) that may use an incremental authorization must inform the cardholder at the time of the initial authorization that subsequent authorizations may occur.

**Note:** In absence of a physical message, cardholders can be verbally informed of the estimate and incremental authorization practice

## Misuse of Authorization System Fee (U.S. only)

In order to maintain the data integrity of the Visa authorization system, a Misuse of Authorization System Fee is assessed by Visa to approved and partially-approved authorizations that cannot be matched to a settled transaction. If an authorization was attempted and received but the transaction was not settled, merchants must reverse the authorization.

Common causes leading up to Misuse of Authorization System Fee for lodging, car rental and cruise line merchants include:

- Not processing estimated, incremental authorizations and authorization reversals according to Visa's rules and technical requirements.
- Usage of \$1.00 "test transactions" in certain circumstances instead of the Visa Account Verification Service.

**Note:** In the event of any conflict between this guide and the *Visa Core Rules and Visa Product and Service Rules* ("Visa Rules"), the Visa Rules govern.

## Common Questions

### Q: Is there a maximum amount for an estimated authorization?

It varies by MCC. Some MCCs have caps for the estimated authorization and other MCCs do not. A list of the current maximum estimated amount limits can be found in the Visa Rules under Rule ID #0029524.

### Q: Is there a maximum amount for an incremental authorization?

No, there are no amount limits for incremental authorizations.

### Q: Is there a limit to the number of incremental authorizations that can be submitted?

No, there are no limits to the number of incremental authorizations that can be submitted as long as they are submitted within the applicable authorization validity timeframes.

### Q: Do incremental authorizations extend authorization timeframes?

No, incrementals do NOT extend the timeframes. Authorization validity timeframes can be found in the Visa Rules under Rule ID #0029524.

### Q: If the initial authorization is card-present and the incremental(s) or reversal(s) are submitted card-absent, how is the transaction categorized?

The first authorization (estimated or initial) determines the final transaction characteristics.

### Q: Are there any costs associated with each incremental authorization request?

Yes, the same standard authorization fee applies.