

SENATE BILL REPORT

SB 6675

As Reported By Senate Committee On:
Financial Services, Insurance & Housing, February 3, 2004

Title: An act relating to gift certificates.

Brief Description: Modifying unclaimed property laws for gift certificates.

Sponsors: Senators Horn, Jacobsen, Benton and Rasmussen.

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 2/2/04, 2/3/04 [DPS].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 6675 be substituted therefor, and the substitute bill do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Berkey, Keiser, Murray, Prentice and Roach.

Staff: Joanne Conrad (786-7472)

Background: Consumer gift cards, including gift certificates and stored value cards, are increasingly popular with consumers, merchants and charitable organizations. However, some consumers report that, when they go to use some cards, they learn that they have expired or that there is a "hidden fee." The merchant retains the purchase price of the card, and the consumer gets nothing in return, or gets less than the face amount of the card, due to subtraction of fees.

In addition, Washington State has unclaimed property laws that require businesses to make detailed reports to the Department of Revenue (DOR) regarding property of value that is unclaimed for a period of years. In some cases, this may be applicable to some unused gift certificates, creating a regulatory and financial burden on the business or organization that issued the certificate.

Summary of Substitute Bill: Gift certificates, including gift cards and stored value cards, cannot generally have an expiration date, or any fee, service charge, dormancy or inactivity charge. If a gift certificate is partially used, and there is unused value left, the issuer must make the remaining amount available to the consumer, in cash or gift certificate balance at the issuer's election. If less than \$5 is left, the remaining value must be redeemable in cash.

A gift certificate may have an expiration date within three years, if it shows the date in capital letters on the front, and if it is part of a promotional program, without money being given in exchange, or if it is part of an artistic or cultural benefit.

The gift certificate must be honored in most cases by a bankrupt issuer.

Washington State's abandoned or unclaimed property laws generally do not apply to gift certificates that are prohibited from having expiration dates. It may apply to other types of gift certificates "presumed abandoned," if not timely reported to DOR. Technical reporting requirements regarding abandoned gift certificates are clarified.

Substitute Bill Compared to Original Bill: Charity exclusions for gift certificates are added, some notice requirements are changed and expiration dates and notice font sizes are changed. The issuer decides how to pay the balance on a partially-used certificate.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Testimony For: This bill is needed for consumer protection. Businesses need to have clarity regarding unused gift certificates, especially businesses with multiple locations.

Testimony Against: None.

Testified: Senator Horn, prime sponsor (pro); Stan Bowman, WA Restaurant Assn. (pro); Julie Sexton, DOR (pro); Jan Teague, WA Retail Assn. (pro w/concerns); Gary Gardner, BECU (pro w/concerns); T.K. Bentler, WA State Assn. of Hotels (pro w/concerns) Bob Gee, WA Food Industry (pro w/concerns).