

SENATE BILL REPORT

SB 5987

As of January 16, 2024

Title: An act relating to improving consumer protection on gift certificates.

Brief Description: Improving consumer protection on gift certificates.

Sponsors: Senators Trudeau, Dhingra, Conway, Frame, Hasegawa, Keiser, Kuderer, Liias, Nguyen, Nobles, Pedersen, Saldaña, Stanford, Valdez, Wilson, C. and Wilson, J..

Brief History:

Committee Activity: Business, Financial Services, Gaming & Trade: 1/16/24.

Brief Summary of Bill

- Increases the threshold for returning the remaining value of a gift certificate that can be returned to the bearer in cash after the gift card is used from \$5 to \$50.
- Directs the issuer of a gift certificate to allow the bearer to combine the value stored on a gift certificate with another form of payment to complete a purchase.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Clint McCarthy (786-7319)

Background: A gift certificate is defined to mean a record evidencing a promise by a seller to provide goods or services for the value of the record. The definition of a gift certificates includes gift cards. In 2004, the Legislature established consumer protections in statute for holders of gift certificates. Among those protections included allowing the bearer of a gift card with a remaining balance of less than \$5 to receive that amount in cash.

Sellers of gift certificates are not required to allow the bearer of a gift certificate to combine

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the value stored on the that gift certificate with another form of payment to complete a purchase.

Summary of Bill: Language stating that the intent of the Legislature to relieve businesses from the obligation of reporting gift certificates as unclaimed property in order to protect consumers is removed, and replaced with language revises the intent language to declare its intent to prohibit acts and practices of retailers that deprive consumers of the full value of gift certificates. The intent of the chapter is expanded to include language declaring the Legislature will protect consumers by requiring companies to combine gift certificates with other forms of payment to make purchases and increase the dollar threshold for gift certificates below which companies must provide cash in exchange for the remaining balance.

The threshold for returning the remaining value of a gift certificate in cash after using the gift card is increased from \$5 to \$50. The bearer of a gift certificate must be able to reload the gift certificate with a maximum amount set by the issuer in any dollar amount they choose if the gift certificate is reloadable. Issuers are required to allow gift certificates to be used in conjunction with another form of payment if the value of the gift certificate is less than the total cost of purchase.

The change in statute is applicable only to gift certificates purchased after July 1, 2024.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on July 1, 2024,

Staff Summary of Public Testimony: PRO: We all purchase gift cards, and we assume it is our money. It is a matter of fairness. We are using gift cards more and more- these are ways for us to show love. We expect these to be ours. I think this bill provides transparency, fairness, and it is good for consumers. This bill increases basic fairness. Gift cards are expected to help basic needs. Splitting payments should be a basic matter of fairness. It has been nearly two decades since the Legislature has done any meaningful changes to consumer protections for gift cards. Gift cards help low income families buy common essentials. Companies that don't allow for a second form of payment keep people from using the money that they need. We need strong protections for consumers from companies that are trying to retain more earnings by making it more difficult to cash out our gift cards. The artificial barriers that corporations use just make us put more money on gift cards. Washington consumer protections need to be updated to keep up with the technology advances that are being made. Starbucks uses deceptive practices to coerce customers to store more of their money on Starbucks gift cards.

CON: The change to \$50 is the most concerning. Raising the cash back amount creates more opportunity for fraud and money laundering. Retailers will have to carry more cash. This will hurt businesses and consumers. Many advocates are accusing businesses of being greedy, but the advocates never reached out to develop this bill with all stakeholders. Cosmetologists are not setup to be cashiers to provide this much cash back. Gift cards sold less than \$50 could be used for cash. Raising the cash out limit would make Washington the highest rate in the country. California currently has the highest value at \$10. This bill will hinder local businesses ability to help their customers. The cash out threshold could devastate the gift card industry in the state- the risk would be too high. Grocery stores give out millions in gift cards to shelters. When those are given, they can only be used in the store. If you raise the threshold to \$50, those gift cards wouldn't be used as intended. We don't have issues with grocery stores combining payments, but we would have concerns with theft and fraud. This will force stores to keep more cash in their stores, and make them targets for theft. This bill permits retailers to put a cap on reloads, but it does not put a minimum on the card either- which should be established by the retailer. This is likely afoul of anti money laundering statutes- those only allow diminimus use. Some retailers like Costco offer gift cards to companies for 20 percent off of gift cards. They retain 10 percent of the value and we receive 70 percent of the value. If people can cash out \$50, we'd only receive a small share of that gift card- we wouldn't be able to afford to provide these gift cards through Costco anymore.

Persons Testifying: PRO: Senator Yasmin Trudeau, Prime Sponsor; Misha Werschkul, Washington State Budget and Policy Center; Michele Thomas, Washington Low Income Housing Alliance; Emma Scalzo, Balance Our Tax Code; Suresh Chanmugam, Tech 4 Housing; Michael Johnson; Micaela Romero, WashingtonCAN.

CON: Crystal Leatherman, Washington Retail Association; Lars Erickson, Seattle Metropolitan Chamber of Commerce; Brooke Davies, Cosmetologists of Washington United; Katie Beeson, Washington Food Industry Association (WFIA); Emily Shay, Association of Washington Businesses; Janet Kenefsky, Greater Vancouver Chamber; Phillip Rouse, Retail Gift Card Association; Brandon Houskeeper, NW Grocery Association; Montana Miranda, Washington Hospitality Association; Lorri Jones, The Blazing Onion.

Persons Signed In To Testify But Not Testifying: No one.