

SUBJECT: Banning gift cards with expiration dates

COMMITTEE: Business and Industry — committee substitute recommended

VOTE: 7 ayes — Deshotel, Elkins, Giddings, Keffer, Orr, Quintanilla, S. Turner
0 nays
4 absent — Christian, England, Gattis, S. Miller

WITNESSES: For — None
Against — Kathy Barber, Texas Retailers Association; Karen Reagan, Walgreens

BACKGROUND: The 79th Legislature enacted SB 446 by Carona, which classifies gift cards that charge fees or lack expiration dates as unclaimed property after three years of non-use. The comptroller holds unclaimed property and attempts to contact unclaimed property owners so they may reclaim it. Gift cards that do not have expiration dates and do not charge fees are considered the permanent property of the issuing business.

DIGEST: CSHB 1007 would ban the sale and purchase of gift cards with expiration dates. The bill also would require the comptroller to reimburse gift card holders the remaining balance of a card that had been turned over to the comptroller as unclaimed property. The comptroller would have to adopt rules regarding the administration of gift card reimbursements.

The bill would take effect September 1, 2009 and only apply to gift cards bought or after that date.

SUPPORTERS SAY: CSHB 1007 would protect Texas consumers from predatory advertising that leads consumers to believe that gift cards are akin to cash. A 2007 nationwide study determined that consumers have lost nearly \$8 billion annually in unused gift card balances. When customers purchase gift cards they rightfully assume that the cards will have value for years to come. The bill would prevent consumers from losing their initial investment over time.

Consumers should have the right to decide when to use their gift cards. When gift card expiration dates are not clearly displayed on the card, consumers often are unaware that the card has an expiration date. Many consumers save gift cards for use on special occasions only to discover they are no longer valid by the time of desired usage. By banning expiration dates on gift cards, CSHB 1007 would give consumers more control over their own purchasing power.

CSHB 1007 would not prevent corporations from making money on gift cards. Companies still would make enormous profits on gift cards even if they did not expire. Nine out of ten consumers use gift cards within three months after the purchase date. Additionally, when redeeming gift cards, consumers generally spend more than 20 percent more than the value of the card. Expiration dates on gift cards are not necessary for businesses to secure profits.

Gift cards with credit card logs would not be subject to the expiration date ban in CSHB 1007. Mastercard and Visa gift cards must have expiration dates in order to be accepted as credit cards. Some credit cards are not valid without expiration dates, and those cards would not be affected by the bill.

OPPONENTS
SAY:

CSHB 1007 and similar measures being enacted in states across the country would burden retailers who do business in more than one state because states are adopting different rules. Some states, like Texas, ban expiration dates on gift cards while others ban fees or require fee amounts to be written in plain sight on the cards. One state even dictates the color of gift cards. CSHB 1007 would affect negatively the business climate in Texas by imposing unnecessary restrictions on companies that issue gift cards.

NOTES:

A related bill, HB 1771 by Chavez, which would prohibit retailers from assessing fees on a stored value card and allow the comptroller to claim as abandoned property gift cards with no expiration date, passed the House on May 1.