

Gift-card law in the works for Arizona

Support is broad for protection of consumers on expiration, fees

By Mary Vandevre
ARIZONA DAILY STAR

Arizona is falling in step with other states by moving toward a law to protect consumers who buy gift cards and gift certificates.

Shoppers may be getting shortchanged if they are unaware of fees and expiration dates on the cards, state lawmakers say.

The move toward gift-card regulation is controversial with some retailers, but so far it has been opposed by only a few state senators.

Sen. Jack Harper, R-Glendale, cast one of four votes against the bill, calling it anti-business.

The bill would require that all gift cards sold after Oct. 31 contain, if applicable, the expiration date and fees that reduce the value of the card. The expiration date and fees must be disclosed in bold type, 8 point in size or bigger, on the card and on packaging for the card.

"I believe in individual responsibility," Harper said. "The provision about the labeling on the wrapper will cause problems for manufacturers."

Sen. Toni Hellon, R-Tucson, a sponsor of the bill, said the law would arm consumers with information on how best to use the cards.

"I support this specifically because it requires full disclosure to the card recipient," Hellon said. "Many people don't know that there is a time limit and that they will be charged a fee after a period of time, or the print is so small that most recipients are not made aware."

The bill applies to gift cards and certificates sold by retailers and by credit card companies.

The Bank of America Visa Gift Card charges a \$2.50 monthly maintenance fee starting six months after the date on which the card was issued. Gift-card recipients with money remaining on their cards 18 months after the card's issuance date must pay \$15 to reactivate the card if they want to use the money for purchases, or \$15 in a "manual check-issuing fee" to get a check for the remaining amount. Fees are deducted from the card.

Bank of America has no comment on the Arizona bill, said spokeswoman Betty Riess. "We've always clearly disclosed fees to the purchaser and the recipient," she said.

Employees with several retailers in Tucson - including Sears, which eliminated expiration dates in December 2003, and Home Depot - said they have no fees and no expiration dates on their gift cards.

Gift cards: the basics

- Gift cards were once considered the lazy person's gift, according to the National Retail Federation. Some factors fueling their popularity with gift givers and receivers:

I Most of today's gift cards are "stored value" cards. When a consumer spends \$25 from a \$50 gift card, the card automatically updates the balance. This is more efficient than the retailer reissuing another gift certificate to the consumer for the balance.

I Due to improved technology, some retailers are able to reissue a lost gift card if consumers have kept the original purchase receipt. Some retailers also encourage gift-card recipients to register their cards through the store Web site, which lets them check their balances online and receive new cards if they lose or misplace the originals.

- Another convenience factor is that many stores are able to carry gift cards at their checkout counters because today's gift cards are not activated until scanned. Also, many retailers, such as grocery stores and drugstores, carry a variety of different gift cards at their registers - for movie theaters, coffee shops and clothing stores.

Source: National Retail Federation

What's next

- Senate Bill 1299, which would require clear disclosure of fees

Gallagher, adding that the company has never had expiration dates on its gift cards.

Best Buy spokeswoman Paula Baldwin said the variety of gift cards available from retailers may cause confusion, but the company doesn't charge a fee for its gift cards.

That wasn't what East Side resident Mellissa Stanton, 20, heard during Christmas. Her mother had told her that the company charges a \$6 fee for gift cards. Stanton decided not to buy any gift cards from Best Buy.

West Side resident Michael Coltrin, 57, said he hasn't had a problem with fees or expiration dates of gift cards he's given or received. But he has had a problem with multiride bus tickets that expire.

"There's no expiration date on that, and I've had them expire. I won't buy another one," Coltrin said.

Legislation related to gift cards and gift certificates is being considered in 26 states, including Arizona, according to the National Conference of State Legislatures. Fifteen states have laws regarding expiration dates and fees on gift cards.

"Currently there's no protection in Arizona," said Andrea Esquer, spokeswoman for the office of Arizona Attorney General Terry Goddard. "We felt this was important enough for the legislators to address."

Goddard last year publicly called for legislation to regulate gift cards.

For example, consumers need to know they won't get the full value of some cards if they don't use them within six months, Esquer said. Goddard's office last summer heard from an 11-year-old girl who waited six months before using a gift card from her grandmother. By then, \$8 had been deducted from the value of the card, Esquer said.

The National Retail Federation says states are regulating gift cards because they want to be able to claim the money in unused gift cards. Under escheat laws, states can claim money retailers have on their books in unused gift cards.

The Revised Arizona Unclaimed Property Act excludes gift certificates and gift cards from the definition of abandoned property that would become state assets, but escheat laws vary by state.

J. Craig Shearman, lobbyist for the National Retail Federation, said states are hurting for money and want to be able to tap into funds retailers are holding in unused gift cards. For example, a state can claim money Target has on its books in unused gift cards and clear thousands of dollars in one move, Shearman said.

Arizona's Unclaimed Property Law requires all holders of unclaimed property belonging to Arizona residents to report the property to the state's Revenue Department. The law does not require reporting of information relating to other states in which the business has locations.

Sen. Hellon said that because gift cards are exempt from Arizona escheat laws, concerns raised by the retailing group do not apply to Arizona.

and expiration dates on gift cards and certificates, was passed by the full Senate 26-4 on Feb. 23, and it goes next to the House for consideration. Rep. John McComish, R-Phoenix, said he thinks it's a good bill. "It is an example of how our laws need to change and adapt as society changes," said McComish, vice chairman of the House Commerce Committee. "A few years ago, no one had even heard of the gift cards that are so prevalent today."

Policies differ

- Things to think about when giving or receiving a gift card:
- Retailers have different policies for gift cards. Some stores' gift cards expire over a certain period of time (usually 12 months or more), and some stores' cards depreciate month by month if a card has been inactive for a certain period of time.

I Service fees and expiration dates are more common with mall-issued and bank-issued gift cards than retailer-issued cards.

Source: National Retail Federation

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