

Retailing

States try to halt fees, expiration dates on gift cards

By Jayne O'Donnell
USA TODAY

Many states are trying to prevent retailers from attaching expiration dates or fees to gift cards — and are using unclaimed property laws to make them do it.

The effort could help consumers keep the value of cards for a longer time. About \$8 billion a year is wasted when gift cards expire, are lost or go unredeemed, reports research and advisory firm TowerGroup.

Corporate Research International said last week that more than 25% of consumers who received gift cards during the 2005 holiday season waited about a year to redeem them.

A lot of money is at stake. Sales of retail store gift cards were expected to hit \$29 billion in 2006, up more than 20% from 2005, says TowerGroup.

Gift cards are not counted as income on retailers' balance sheets until they are used. And a retailer can't claim the unused card balances as income at all unless the state where it is incorporated exempts gift cards from unclaimed property laws, says the Keane Organization's Debbie Zumoff, an unclaimed property ex-



By Justin Sullivan, Getty Images

Who gets the money? Unredeemed gift cards can raise unclaimed property issues.

pert. Those laws allow states to take abandoned property or inactive bank accounts after a period of time.

About half of states exempt gift cards from the unclaimed property statutes, but several are considering

dropping the exemption or adding more restrictions to the cards. Most states that have exemptions for gift cards require retailers to extend the time before they are considered unused, usually to three or five years. Others are passing laws that eliminate the use of expiration dates or fees when cards aren't used within a set time limit, often a year.

State laws vary, but when it is allowed, retailers can move millions of dollars in unused cards from the liability to income columns on their financial statements. Last June, Home Depot announced it was taking \$43 million in income from gift cards that were unlikely to be redeemed. The cards were sold from 1998, when Home Depot began selling them, to 2001.

When retailers can't claim the money from unused cards, states can see a windfall. Iowa collects about \$1 million a year from gift cards. Since January 2005, the Pennsylvania Treasury Department has collected more than \$1.3 million in unclaimed gift card funds and returned more than \$158,000 to gift card holders.

Zumoff says it's difficult for states to refund money to gift card owners because the issuers of gift cards typically do not collect the names and addresses of

card purchasers or recipients. Many people also don't know a state has the money.

Retailers seldom tell people to go collect from the state if someone tries to redeem a long-unused card. For customer service reasons, they'll usually just authorize use of the card even if they've turned the money over to the state, the National Retail Federation's Maureen Riehl says.

NRF says the gift card income ultimately belongs to the retailer. "The state doesn't own it," Riehl says. "They weren't a party to the transaction. It was a specific purchase for a specific person."

Iowa State Rep. Janet Petersen sponsored a bill in the last legislative session to clarify that unused card balances should be considered unclaimed property if they are not redeemed in three years. "It's a consumer education issue, because after it expires, people think, 'I've just lost out,'" says the Democratic legislator. "Those retailers are not supposed to bank the money. They are supposed to turn it over to state treasurers."

Many of 35 gift card bills introduced in state legislatures in 2006 sought to end expiration dates or fees. Riehl says most retailers already have ended both.

How each state handles unclaimed gift cards

Where retailers sell determines whether they can charge fees or put expiration dates on gift cards. Where retailers are incorporated determines whether they have to turn money from unclaimed gift cards over to the state. A consumer with an unused gift card may be able to claim the money from the state the retailer is incorporated in if gift cards are covered by that state's unclaimed property law. The states below regulate gift cards. States not listed have no applicable laws.

State	Expiration dates	Fees	When a gift card/certificate is considered unclaimed property
Alabama			Three years after June 30 of the year in which sold. If only redeemable in merchandise, the amount abandoned is 60% of the certificate's face value. Three years after unclaimed by the owner.
Alaska			Never.
Arizona	Must be disclosed.	Must be disclosed.	Never.
Arkansas			Never.
California	Prohibited.	Dormancy fee allowed; all others prohibited.	Never if purchased after 1997, unless it has an expiration date and is given in exchange for money or anything of value. Subject to unclaimed property laws if redeemable in cash and unclaimed by owner for more than five years. Cards not redeemable for cash aren't subject to unclaimed property laws.
Colorado			Subject to unclaimed property laws if redeemable in cash and unclaimed by owner for more than five years. Cards not redeemable for cash aren't subject to unclaimed property laws.
Connecticut	Prohibited.	Prohibited.	Never.
Delaware			If its owner dies without a will, is missing for more than five years or abandons property, it reverts to the state. Five years after becoming payable or distributable.
District of Columbia			Five years after becoming payable or distributable.
Georgia	Must be conspicuous.	Must be conspicuous.	Five years after becoming payable or distributable.
Hawaii	Must be greater than two years and conspicuous; if no expiration, valid forever.	Prohibited.	Five years after becoming payable or distributable.
Idaho			Never if an expiration date is prominently displayed. It's considered abandoned if there's no expiration date and it's unclaimed by the owner for more than five years after becoming payable or distributable.
Illinois	Expiration date or toll-free phone number to inquire must be conspicuous.	Fees and assessments must be conspicuous.	If it has an expiration date or fees and was issued before 2003, it reverts to the state. More recent cards won't go to the state, if retailers meet certain conditions. Three years after purchase.
Iowa		None without contract.	Three years after purchase.
Kansas	Prohibited sooner than five years from purchase. If no date, it's valid until redeemed or replaced.	No fees against balance within 12 months from issuance.	Never.
Kentucky	Must be more than one year from date issued. If there's no date, it's valid until redeemed or replaced.	Prohibited if they reduce card's value before expiration.	Never.
Louisiana	Must be more than five years and conspicuous. If there's no date, it's valid until redeemed or replaced.	Prohibited. ¹	Three years after Dec. 31 of year sold.
Maine	Prohibited.	Only transaction fees, for purchase or value added, that are disclosed are allowed. ²	Two years after Dec. 31 of the year of purchase or last transaction, whichever is later. The amount unclaimed is 60% of the gift obligation's or stored-value card's face value.
Maryland	Prohibited within four years after purchase date; must be disclosed after that.	Prohibited within four years after purchase date. Service fees allowed if disclosed.	Never.
Massachusetts	Must be at least seven years after issuance and conspicuous.		Never, unless it has a clearly marked expiration date or the date is less than seven years after issuance. After five years.
Michigan			After five years.
Mississippi			After five years.
Missouri			Five years after it's issued, 60% of face value of a card redeemable for merchandise is subject. But state reimburses consumers at full face value.
Montana	Prohibited.	Prohibited.	Three years after Dec. 31 of the year in which it was sold; 60% of the face value of merchandise-only gift certificates is subject.
Nebraska	Must be clearly disclosed. Excludes general-use prepaid cards.	Must be printed on the card/certificate. Excludes general-use prepaid cards.	Never if it is for less than \$100 and has no fees or an expiration date. Otherwise, after three years.
Nevada	Date or toll-free phone number to inquire about date must be conspicuous.	Must be disclosed and can't exceed \$1 a month or be imposed 12 months after issuance.	After three years.
New Hampshire	Prohibited for gift certificates worth less than \$100.	Prohibited.	After five years if more than \$100 in value.
New Jersey	Not allowed less than two years after sale. Must be disclosed.	Dormancy fees prohibited in first two years after sale or most recent transaction. Can't exceed \$2 a month; must be disclosed.	Never.
New Mexico			Three years after Dec. 31 of the year sold. If redeemable in merchandise only, amount abandoned is 60% of the certificate's face value.
New York	Must be conspicuous.	Service fees must be conspicuously disclosed; no service fees can be assessed before the 13th month after issuance.	After five years.
North Carolina			After three years if it has an expiration date. Amount abandoned is 60% of the unredeemed portion of the face value. Otherwise, never.
North Dakota	Must be more than six years after the date of purchase.	Prohibited.	Never.
Ohio	Prohibited less than two years after issuance. Gift card without an expiration date is valid until redeemed or replaced.	Prohibited less than two years after issuance.	Never.
Oklahoma	Prohibited less than 60 months from purchase date. If no expiration date, it's valid until redeemed or replaced.	Prohibited. ¹	Never.
Pennsylvania			If no expiration dates or fees, money goes to the state after five years. If there is an expiration date, it goes to the state two years after expiration.
Rhode Island	Prohibited.	Prohibited.	Never.
South Carolina	Prohibited before first anniversary of date sold or issued, unless disclosed.	Prohibited unless properly disclosed.	Never.
South Dakota			After five years.
Tennessee	Prohibited less than two years after issuance. Without expiration, it's valid until redeemed or replaced.	Prohibited less than two years after issuance.	Two years from date issued or by the expiration date in the amount issued unless issued after 1996 and for merchandise only. Then it's 60% of face value. If issued after Dec. 31, 1998, it's not subject to unclaimed property laws as long as there is no dormancy fee or has no expiration date.
Texas	Must be disclosed.	Handling, access or replacement fee allowed if disclosed. Dormancy fees prohibited until after the first anniversary of date the card was sold or issued; fee must be reasonable.	Three years after issued last used or by expiration date.
Utah			After five years if more than \$25.
Vermont	Prohibits expiration dates of less than three years.	Prohibited.	Never.
Virginia	Must be disclosed or include phone number or Internet address for information.	If it decreases in value over time, must include a phone number or Internet address for information.	After five years unless redeemable in merchandise, services or through future purchases.
Washington	Prohibited unless not given for money.	Inactivity fees allowed if disclosed and remaining value of gift card is \$5 or less each time the charge is assessed. ⁴	After more than three years.
West Virginia			Three years after Dec. 31 of the year of sale. If redeemable in merchandise only, the amount abandoned is deemed to be 60% of face value.
Wyoming			If greater than \$100 and unredeemed for more than three years after issuance, it's deemed abandoned.

¹ - one-time handling fee that doesn't exceed \$1 per certificate allowed; ² - fees allowed to be deducted from abandoned property if there's a contract stating it and it's always imposed; ³ - unless the remaining value on the card/certificate is \$5 or less each time the fee is assessed; ⁴ - the fee does not exceed \$1 per month; there has been no activity for 24 consecutive months; the holder may reload or add value to the card/certificate; and the fee is disclosed as specified; ⁵ - the charge does not exceed \$1 per month. Only if no activity in 24 consecutive months. After dormancy/inactivity charge is assessed, the remaining value of the gift certificate is redeemable in cash on demand.