

Midday Business Report: Some of expected \$24 billion in gift cards to go unspent

Paul Wenske – November 17, 2006 - Consumers are expected to spend \$24.8 billion on gift cards this holiday season, about \$6 billion more than in 2005, according to the National Retail Federation.

Yet, while gift cards are increasingly popular among gift buyers, some recipients appear less than overwhelmed.

In fact, between 5 percent and 10 percent of gift cards never get used. That means nearly \$2.5 billion will be spent on gift cards that remain stuck in a consumer's wallet or top bureau drawer, according to The Keane Organization, a compliance and risk management business.

And some states are hungrily eyeing that unused gift money as "abandoned property," which means if the money goes unclaimed, a state may have a right to claim it for its treasury.

"We've seen a number of states get very aggressive about going after unused gift cards," said Debbie Zumoff, chief compliance officer of The Keane Organization, in a statement.

Missouri and Kansas officials said they knew of no effort currently to go after abandoned gift card funds.

Three states, Michigan, Nebraska and Pennsylvania, have efforts to audit unclaimed gift-card property. Other states have passed laws to restrict retailers from deducting fees from or impose expiration dates on unused gift cards.

Most gift cards differ from traditional gift certificates because they are treated as stored value cards. Retail chains have historically taken the face value of unused cards into income after certain waiting periods.

But some states are beginning to look at this stored value as potential state income. The National Retail Federation said the message to consumers is to spend your gift card before the government takes the money away.