Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 667 (Delegate Kaiser, *et al.*)
Economic Matters

Commercial Law - Gift Certificates - Expiration and Service Fees

This bill prohibits a person from selling a gift certificate that contains (1) an expiration date unless it is clearly printed on the certificate and is at least five years after the issue date; or (2) a service fee, including one for dormancy. However, a seller may assess a service fee of up to $1 per month for dormancy if the remaining value on the gift certificate is less than $5. A gift certificate that violates the bill's prohibitions is considered valid and may not be subject to an expiration date or service fee. A seller is not required to redeem a gift certificate for cash.

The bill does not apply to (1) a prepaid telephone calling card; (2) a prepaid technical support card; (3) a prepaid card for Internet services; (4) a coupon for discounted goods or services; or (5) a gift certificate that is distributed under an awards, loyalty, or promotional program under specified circumstances. Under the bill, a gift certificate is a device constructed of paper, plastic, or other material that is (1) sold by a person for cash value that can be used to purchase goods or services; or (2) issued as store credit for returned goods.

The bill does not apply to gift certificates issued before October 1, 2005.

Fiscal Summary

State Effect: Assuming that the Consumer Protection Division receives fewer than 50 complaints per year stemming from this bill, any additional workload could be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: No provision specifically regulates the expiration of gift certificates.

Background: Increasingly, retailers have begun to restrict the time within which a person may redeem a gift certificate or gift card. Some retailers have begun to charge a fee for nonuse if a gift card has not been used within a stated period of time. Such time periods typically range from 12 to 24 months.

Additional Information

Prior Introductions: Similar bills were introduced in the 2004 and 2003 sessions. In 2004, SB 173 was amended and passed in the Senate. It was referred to the Economic Matters Committee, where it received an unfavorable report. HB 43 of 2004 was heard in the Economic Matters Committee but no further action was taken. In 2003, SB 375 received an unfavorable report from the Senate Finance Committee and HB 711 received an unfavorable report from the Economic Matters Committee.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division), Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2005
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