

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 149 (Senator Boozer)

Finance

Consumer Protection - Restaurant Gift Certificates - Escrow Account

This bill requires a restaurant which issues gift certificates for redemption at the restaurant to maintain in an escrow account an amount of money that is equal to the value of the outstanding gift certificates. If the restaurant goes out of business or otherwise cannot honor the gift certificates: (1) the escrow account will be used to reimburse the holders of the outstanding gift certificates; and (2) within 10 days the restaurant must publish in a local newspaper a notice of the gift certificate holders' right to reimbursement, the reimbursement procedures, and the date by which reimbursement must be requested. Further, this bill requires every gift certificate issued by a restaurant to contain a notice of the holder's right to reimbursement.

Fiscal Summary

State Effect: None. Assuming that the Consumer Protection Division receives fewer than 50 complaints per year as a result of this bill, any additional costs could be absorbed within existing resources.

Local Effect: None.

Small Business Effect: Minimal impact.

Fiscal Analysis

Small Business Effect: It is assumed that redemption of gift certificates does not represent a significant share of the restaurant industry's sales or revenues. Small restaurants which issue gift certificates could experience a minimal increase in their operating costs associated with accounting for gift certificates and maintaining an escrow account. In addition, the escrow

account will limit the funds available for operating costs. If the impact on operating costs proves to be more than minimal on a restaurant, that restaurant likely would eliminate or severely curtail the use of gift certificates. Small insolvent restaurants with outstanding gift certificates would be required to pay the cost of publishing a notice in a local newspaper. To the extent that small businesses are creditors of an insolvent restaurant, they would not be able to reach the funds held in escrow.

Information Source: Attorney General's Office (Consumer Protection Division)

Fiscal Note History: First Reader - February 2, 1998
Inc

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