

## **BILL ANALYSIS**

C.S.H.B. 650  
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Business & Industry  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Current law allows for the expiration of gift certificates and gift cards. There are some people who feel this puts Texas consumers at a disadvantage. In addition, there is no law requiring businesses that issue gift certificates to disclose certain information about its value. Many times consumers purchase these gift certificates or "gift cards" not knowing that the certificate loses value over time, has an expiration date, or there are transaction fees charged after a certain amount of time.

The Committee Substitute to House Bill 650 would prohibit the expiration of gift certificates and gift cards before the second anniversary of the date on which the card was issued. Gift certificates and cards that meet certain requirements would be allowed to expire before the two year anniversary. CSHB 650 would also require these businesses and card issuers to disclose certain types of information on or with the gift certificate or gift cards.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

CSHB 650 defines gift certificates to include only those gift certificates that are sold or issued by a person offering goods and services. The bill states that a person may not issue or sell a gift card that expires before the second anniversary of the date on which the card was issued. Gift Cards that state the expire in 10 point font and meet the following standards may expire:

- 1.) a gift card that is issued under an awards, loyalty, or promotional program without the consumer giving money in exchange;
- 2.) a gift card that is sold below face value at a volume discount to an employer or a nonprofit or charitable group for fund raising purposes, if the expiration date is not more than 30 days after the sale;
- 3.) gift cards issued for food items.

CSHB 650 would also require disclosure of reduction in value of a gift certificate. The disclosure must be located on either the certificate, the envelope covering the certificate, or the receipt given to the purchaser. A gift certificate that does not clearly state a condition described by this bill may be redeemed at any time for the original value of the certificate, less any amount charged against the balance of the certificate by the consumer.

### **EFFECTIVE DATE**

September 1, 2003.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

HB 650 exempted all gift certificates that did not meet a select criteria from expiration. CSHB 650 exempts gift cards and certificates from expiration for two years, after which point the gift cards may expire. Gift cards and certificates that meet certain criteria may expire before the second anniversary of the date on which the card was issued. CSHB 650 also defines gift certificates in a manner which will exclude gift

cards issued as a payment instrument by credit card companies. It also requires disclosure of reduction in value of the gift card, and allows the consumer to recoup the balance remaining on the certificate if the reduction is not disclosed.