The Voice Of Retailing

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Sen. Doyle, Rep. Baram, Sen. Witkos, Representative Carter and members of the General Law Committee, I am Tim Phelan, President of the Connecticut Retail Merchants Association and I am here today to testify against HB 5473 "AN ACT CONCERNING CASH REFUNDS FOR GIFT CARD BALANCES". As you know CRMA is a statewide trade association representing some of the world's largest retailers and the State's main street merchants.

As some of you may recall, this Committee has dealt with the issue of gift cards issued by retailers in the recent past and as a result passed PA – 05 – 189, AAC the Expiration of Gift Cards. This landmark legislation which was the result of bi partisan support gave CT the most consumer friendly gift card law in the nation.

The law was straight forward and simple for both consumers and our members to understand and administer: No expiration dates on any issued gift card as well as prohibiting the retailers from charging an inactivity fee.

Gift cards are extremely popular and continue to grow in popularity, perhaps because of this new law. And other states have followed CT's lead. As you know a gift card serves dual purposes. One, it allows the recipient the ability to make a purchase of their choice in a specific store; and it allows the gift giver to be assured that the recipient will use the card to make a purchase at the store rather than make a purchase that might be returned or giving straight cash as a gift.

With this as a background we oppose HB 5473 because in our review of the bill it undermines the spirit of the law while also opening up the process to potential for fraud and misuse.

For instance, what is to prevent a customer to walk into a store with a gift card worth $75 and make a purchase of $5 and then asking for the remainder in cash? This would clearly circumvent the spirit in which the gift card was given to the person.

For retailers there are even worse situations. Our industry is constantly on the lookout for thief and fraud. If this law where to pass, what would prevent a person from presenting a stolen item, without a receipt which then could be turned into a gift card and then redeemed for cash. Or how would a retailer handle gift cards that are given as contribution to a charitable event? These are just two examples of potential fraud or misuse of the gift card if the law was changed as is outlined in HB 5473.

It is important to remind the committee that CT's gift card law governs gift cards that are issued by retailers with store branded cards. Mall operated gift cards, and co-branded gift cards may not be governed by CT law, particularly if they are federally charted bank issued gift cards.

In closing, while we might understand that proponents of this bill would think it is a consumer friendly one, we believe the current allows the most flexibility and remains the most consumer friendly and convenient manner for consumers and retailers in the area of gift cards.

Thank you for your time and I would be happy to answer and questions you may have.