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Testimony of State Representative Patricia Billie Miller
To the Banking Committee, in support of: House Bill 5564, An Act Concerning
Card Balances

March 8, 2016

Good Morning, Chairman Winfield, Chairman Lesser and Members of the Banking Committee. I am here today to respectfully submit testimony for H.B. 5564 – An Act Concerning Card Balances.

Gift cards are increasingly popular. They have long served as a convenient and flexible option for those consumers wanting to ensure recipients truly get the perfect gift - the one that they choose for themselves. For retailers, it increases sales and helps their cash flow. In 2015, the National Retail Federation polled 7,172 consumers and 73.4% stated they plan to purchase at least one gift card for the holiday season. In another survey, 58.8% of the consumers polled would like to receive gift cards making them the most requested gift item nine years in a row.

Unfortunately, it no longer becomes a win-win for both sides when consumers possess gift cards with small balances that cannot be redeemed. According to CEB Tower Group, a research and analytic company, there were \$130 billion in gift card sales in 2015 and close to a billion dollars went unused which is up from \$750 million in 2014. Such growth is likely to continue as the total gift card volume is expected to reach \$149 billion by 2017.

In September 2015, Texas joined ten other states that allow cash back from low-value gift cards. According to The Texas Tribune, the bill was authored by Republican Representative Dwayne Bohac, a former business owner, who advocated for its passing in order to balance the rights of consumers and retailers. The article also stated that the President of the Texas Retailers Association reviewed the bill with their members and heard few complaints. He was quoted as saying, "We don't think that it's going to be a heavy burden. It's consistent with good customer service to volunteer to do that."

But, this legislation goes beyond good customer service. Some companies are recognizing unredeemed gift cards as revenue income. If a company can reasonably demonstrate that the balance of a gift card is unlikely to be redeemed, which is called "breakage", it can claim the balance as revenue. For example, Best Buy reported \$46 million, \$53 million and \$19 million, for the years 2013, 2014 and 2015 respectively, in breakage revenue. These are millions of dollars that could have gone back to the consumer.

The Connecticut legislature enacted strong gift card laws in 2003 and 2005. HB-5564 would further strengthen the law by allowing consumers to redeem gift cards with balances under ten dollars for cash.

In closing, I think this bill should apply to cards that can only be used at a specific location and there should be exceptions. For example, cards that are a part of an awards, loyalty or promotional program should not be eligible for redemption for cash.

Thank you again for allowing me to submit testimony on HB-5564 and I ask that you please give this legislation your full support.