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Law bans fees on gift cards

Limits, charges, expiration dates not allowed effective today

Jaclyn Trop / The Detroit News

Gift cards won't turn into the gift that keeps taking under a new state law that bans most restrictions on the increasingly popular plastic presents.

The law goes into effect today, prohibiting retailers from adding limitations, service fees or expiration dates to gift cards. Also, cards may not expire less than five years after being issued. The law doesn't apply to cards issued before today.

Although national retailers have been moving away from gift card restrictions for years, the law "should erase any doubts in consumers' minds," said Tom Scott, senior vice president of communications and marketing for the Michigan Retailers Association. "It just makes for a more positive shopping experience."

Retailers said the new law puts all shops on equal footing and spells reprieve for shoppers.

The law is "very welcome, very protective of customers, and very overdue," said Rodney Brown, co-owner of The Shirt Box in Farmington Hills. He called gift card restrictions burdensome and unfair.

"We have people who come in to use their gift card after 10 years," he said. "We'll get a laugh over it, but they can still use it."

Brown said his gift card sales have increased between 10 percent and 20 percent during the past two years.

The Michigan Retailers Association reached "a good compromise" with Gov. Jennifer Granholm on behalf of the group's 5,500 members, ranging from chain stores such as Wal-Mart and Meijer to independent retailers, Scott said. "Generally, they're OK with it," Scott said. "In general, they're for as little or no regulation as possible."

Retailers use expiration dates and service fees to pare down unused balances in order to clear the debt from their books, according to Eric Rule, director of governmental affairs for the

Michigan Retailers Association. Stores may not count money spent on a gift card until the card is redeemed for merchandise. "We wanted some common sense restrictions," Rule said. "Some smaller members said, 'After a while, I need to figure out my balance sheet.' "

The measure will have "minimal to no effect on holiday sales and economic activity" in Michigan, according to Scott Watkins, senior consultant with Anderson Economic Group in East Lansing.

Gift cards make up a "low percentage" of retail sales and tend to have long shelf lives anyway, he said. The law will probably help single-location retailers in shopping destinations like Frankenmuth or Traverse City because recipients would have more time to travel before the card expires.

Gift card sales nationwide were expected to reach \$97 billion in 2007, up from \$83 billion in 2006, according to data released by TowerGroup, a Needham, Mass.-based research firm. Retail-sponsored cards comprised about one-third of the revenue generated. Cards issued by banks, restaurants, gasoline, and other services accounted for the rest.

Gift cards are expected to increase in popularity as traditional notions that store credit is boring and uncreative dissipate, according to Birmingham-based retail consultant Ed Nakfoor. A survey for the National Retailers Federation estimates that nearly 55 percent of consumers would like to receive a gift card this year.

"The stores have done a good job of dressing up their gift cards," Nakfoor said. "It's not just a piece of paper in an envelope anymore."

Home Depot is selling four types of packaging this year, including a toolbox-shaped envelope, for example.

The new law does not apply to bank-issued gift cards. Taubman Centers Inc., the Bloomfield-Hills based operator of four Metro Detroit shopping centers, partnered with American Express three years ago to offer gift cards redeemable throughout the mall. Although the cards don't expire, American Express deducts \$2 per month if the cards aren't used within a year of purchase.

About half of Taubman's annual gift card sales take place in November and December, according to David Goldberg, vice president for sponsorship and center marketing. The state's new gift card policy will have "no appreciable difference" on Taubman Center gift certificate sales, he said.

Consumers may report violations of the gift card law with the Consumer Protection Division of the Attorney General's Office.

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