

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

SB 22 (Laird)
Version: December 2, 2024
Hearing Date: April 8, 2025
Fiscal: No
Urgency: No
CK

SUBJECT

Gift certificates

DIGEST

This bill provides that a gift certificate with a cash value less than or equal to \$25 must be redeemable in cash, increasing that threshold from \$10. This bill further requires an issuer of gift certificates to display at the cash register a notice of this right of the holder to redeem a gift certificate for cash.

EXECUTIVE SUMMARY

Existing law makes it unlawful to sell a gift certificate or gift card that contains an expiration date or service fee, except as specified. A gift certificate sold after January 1, 1997, is redeemable in cash or subject to replacement with a new gift certificate. However, where the cash value is less than \$10, the gift certificate must be redeemable in cash for its cash value.

Given the concerns with the amount of unused gift certificates that consumers are unable to meaningfully use, this bill provides that the gift certificate must be redeemable in cash if the cash value is less than or equal to \$25, adjusted annually for inflation based on the California Consumer Price Index. The author's goal is to "put more money back in the pockets of consumers." To ensure consumers are aware of this right, an issuer of gift certificates must display at the cash register a notice of the right of the holder to redeem a gift certificate for cash.

The bill is author-sponsored. It is supported by Consumer Watchdog and the Consumer Attorneys of California. It is opposed by a number of industry groups, including the California Grocers Association and the Association of National Advertisers.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Makes it unlawful for any person or entity to sell a gift certificate to a purchaser that contains any of the following:
 - a) An expiration date.
 - b) A service fee, including, but not limited to, a service fee for dormancy, except as provided. (Civ. Code § 1749.5(a).)
- 2) Provides that any gift certificate sold after January 1, 1997, is redeemable in cash for its cash value, or subject to replacement with a new gift certificate at no cost to the purchaser or holder. Notwithstanding that provision, any gift certificate with a cash value of less than \$10 is redeemable in cash for its cash value. (Civ. Code § 1749.5(b).)
- 3) Provides that the above provisions do not apply to any of the following gift certificates issued on or after January 1, 1998, if the expiration date appears in capital letters in at least 10-point font on the front of the gift certificate:
 - a) Gift certificates that are distributed by the issuer to a consumer pursuant to an awards, loyalty, or promotional program without any money or other thing of value being given in exchange for the gift certificate by the consumer.
 - b) Gift certificates that are donated or sold below face value at a volume discount to employers or to nonprofit and charitable organizations for fundraising purposes if the expiration date on those gift certificates is not more than 30 days after the date of sale.
 - c) Gift certificates that are issued for perishable food products. (Civ. Code § 1749.5(d).)
- 4) Provides that a “gift certificate” includes gift cards, but does not include any gift card usable with multiple sellers of goods or services, as provided. This exemption does not apply to a gift card usable only with affiliated sellers of goods or services. (Civ. Code § 1749.45.)
- 5) Provides that if a legal obligation requires the performance of one of two acts, in the alternative, the party required to perform has the right of selection, unless it is otherwise provided by the terms of the obligation. (Civ. Code § 1448.)

This bill:

- 1) Raises the threshold for eligibility for a cash redemption to \$25 or less, adjusted annually for inflation based on the California Consumer Price Index and rounded to the nearest whole dollar amount.

- 2) Requires an issuer of gift certificates to display at the cash register a notice of the right of the holder to redeem a gift certificate for cash.

COMMENTS

1. Consumer rights in connection with gift certificates

This bill deals with consumer rights in connection with gift certificates and gift cards that have gone unused. According to a CNN report:

Almost two-thirds of American consumers have at least one unspent gift card tucked away in a drawer, pocket, wallet or purse. And at least half of those consumers lose a gift card before they use it, according to a new report from Credit Summit, an online provider of financial advisory services.

The report said there is as much as \$21 billion of unspent money tied up in unused and lost gift cards. Of those surveyed, a majority of respondents said their unredeemed cards were worth \$200 or less.¹

Current law prohibits such cards from having an expiration date and provides a means for redeeming the cards. A gift certificate is redeemable in cash for its cash value, or subject to replacement with a new gift certificate at no cost to the purchaser or holder. The general rule of law is that where a legal obligation requires the performance of one of two acts, in the alternative, the party required to perform has the right of selection, unless it is otherwise provided by the terms of the obligation. (Civ. Code § 1448.) Therefore, the issuer of the gift certificate could choose whether to provide a consumer a cash refund or simply issue a new card.²

To provide consumers more rights with respect to gift certificates with lower remaining values, SB 250 (Corbett, Ch. 640, Stats. 2007) amended that law providing that notwithstanding the existing provision, any gift certificate with a cash value of less than \$10 is redeemable in cash for its cash value. This allows consumers the ability to get the value of their cards where the remaining balance is extremely low.

That amount has not changed in the 17 years since. In fact, the original version of SB 250 sought to make the threshold \$20 but lowered it in response to opposition.

¹ Parija Kavilanz, *Americans have a collective \$21 billion in unspent gift cards* (February 23, 2023) CNN, <https://www.cnn.com/2023/02/23/business/gift-cards-unused/index.html> [as of Mar. 31, 2025].

² See also *Marilao v. McDonald's Corp.* (S.D. Cal. 2009) 632 F. Supp. 2d 1008, 1012 (“it is the vendor who holds the right to select whether to redeem a gift card in cash for its cash value or to provide a replacement card at no cost to the purchaser or holder”).

This bill makes the first change to that threshold, providing consumers the right to redeem for cash value gift certificates of \$25 or less, adjusted annually for inflation. According to the author:

SB 22, the Consumer Access to Stored Holdings Act or CASH Act, will raise the maximum dollar amount on a gift card a consumer can redeem for cash and ensures consumers are notified of their right to redeem. The current limit of \$9.99 was set over 15 years ago and an increase is long overdue. This increase will put more cash back in the wallets of Californians at a time when every penny truly counts.

To ensure consumers are made aware of this exchange right, issuers of gift certificates are required to display at the cash register a notice of the right of the holder to redeem a gift certificate for cash pursuant to this law.

2. Stakeholder positions

The Consumer Attorneys of California write in support:

The gift card industry is a multi-billion dollar industry, valued at \$899.3 billion in 2023, with expectations of reaching a value of \$2.3 trillion by 2030. There is up to \$21 billion of unspent money estimated to be sitting on unused gift cards, according to a 2023 report by Credit Summit. 47% of Americans have unused gift cards, wasted in wallets and junk drawers. Many consumers feel it is not worth the hassle to cash out less than \$10, while even more are completely unaware of their right to redeem gift certificates for cash. This leaves millions of dollars meant to be redeemed for services and goods unspent, a major loss for consumers. In an attempt to use the entirety of a gift card, a consumer will likely spend beyond the remaining amount, also leading to a loss.

The California Grocers Association writes in opposition:

Requiring a grocer to provide a cash return (and one with an inflationary component) on a grocery gift card will also undermine stores' existing policies. CGA's member stores have generous return policies. Most stores do not require proof of purchase or receipt as a condition of returning items, and in return, customers receive a store gift card with the understanding they will use it to purchase grocery items. And if returns include food, these items cannot be re-stocked and resold, leaving the grocer at a loss. By requiring grocers to then redeem these gift cards for cash, when the returned items totaling \$25 or less, as specified in SB 22, will amplify these losses.

Additionally, grocery stores also provide many gift cards to non-profit associations, such as food banks and food pantries, throughout the year for distribution to those suffering from food insecurity. We are proud to provide a lifeline to provide those in need with necessary staple food items. Charitable gift cards generally range from \$20 to \$25, but in the aggregate, equate to thousands in philanthropic offerings by each store. During the most recent Los Angeles fires, grocery retailers have donated more than \$1 million gift cards to help those in the recovery efforts so far. These cards are meant to provide community members with access to fresh, healthy food. Whereas impacted residents rely on state agencies, FEMA and other non-profits entities to receive durable necessities and cash assistance. Implementing the policy as proposed in SB 22 will have wide sweeping consequences on charitable actions of the grocery industry.

A coalition of groups in opposition, including the California Chamber of Commerce, argue:

Tying California's cash-back threshold to the CPI is unworkable due to the implementation problems it would create for retailers. Unlike a fixed amount, a CPI-based adjustment would lead to continuous increases in the cash-back limit, making compliance incredibly burdensome. Business owners would struggle to update systems and train employees as amounts change every few years.

In response to these concerns, the author has agreed to an amendment to remove the CPI adjustment provision from the bill.

SUPPORT

Consumer Attorneys of California
Consumer Watchdog

OPPOSITION

Association of National Advertisers
CalAsian Chamber of Commerce
California Chamber of Commerce
California Fuels and Convenience Alliance
California Grocers Association
California Hispanic Chambers of Commerce
California Restaurant Association
California Retailers Association
National Association of Theatre Owners of California

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation:

SB 1272 (Laird, 2024) was substantially similar to this bill, and would have raised the threshold to \$25. SB 1272 was gutted and amended subsequent to passing out of this Committee and died on the Assembly Floor.

SB 250 (Corbett, Ch. 640, Stats. 2007) *See* Comment 1.
