

Honolulu, Hawaii  
March 2, 2006

RE: H.B. No. 1980  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1980 entitled:

"A BILL FOR AN ACT RELATING TO GIFT CERTIFICATES,"

begs leave to report as follows:

The purpose of this bill is to avoid unnecessary regulation and increase consumer choice and convenience by making clear that multi-use gift cards, i.e., cards with a banked dollar value usable with multiple sellers of goods or services, are not gift certificates subject to regulation under Hawaii's gift certificate law.

The Hawaii Bankers Association, Hawaii Credit Union League, First Data Corporation, and a concerned individual supported this bill. The Department of Commerce and Consumer Affairs, Retail Merchants of Hawaii, and Hawaii Food Industry Association opposed this bill.

Your Committee finds that multi-use gift cards differ from gift certificates in that they carry banked dollars to use in place of cash. One type is a travel card that is used like traveler's checks. Multi-use gift cards are reportedly more expensive to operate than gift certificates. The cards may be sold and marketed nationally, in which case issuers incur significant design, marketing, and advertising costs. In addition, issuers usually replace these cards if they are lost or stolen and provide 24-hour customer service.

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Your Committee heard testimony that the current law would prohibit issuers of gift cards from charging a service fee for these cards, making it impossible for issuers to make a profit in Hawaii. There was also testimony that because of the law, American Express already declines to sell its gift cards in the state.

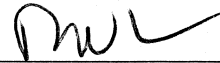
Upon further consideration, your Committee has amended this bill by:

- (1) Removing the exemption of multi-use gift cards from the gift certificate law;
  - (2) Providing that issuers of multi-use gift cards may charge:
    - (A) A transaction fee for initial issuance and each addition of value to the card;
    - (B) A replacement fee; and
    - (C) A service, dormancy, or inactivity fee no earlier than 12 months after the initial issuance or most recent addition of value;
  - (3) Requiring multi-use gift card issuers to disclose:
    - (A) At the time of sale, on the certificate or on the electronic card sales receipt, fees for initial issuance;
    - (B) At the time of sale, the timing and amount of all dormancy or inactivity fees prominently on the face of the electronic card or certificate; and
    - (C) On the electronic card or certificate, the timing and amount of all replacement fees, services fees, and dormancy or inactivity fees;
- and
- (4) Changing the effective date to July 1, 2050, to allow further discussion of the measure.



As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1980, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1980, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Consumer  
Protection & Commerce,



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ROBERT N. HERKES, Chair



