

STAND. COM. REP. NO.

2853

Honolulu, Hawaii

MAR 24 2010

RE: H.B. No. 2289  
H.D. 2  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 2289, H.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this measure is to provide necessary protection to holders of gift certificates by:

- (1) Extending the minimum expiration period for gift certificates, other than paper gift certificates, from not less than two years to not less than five years;
- (2) Clarifying that paper gift certificates shall not have an expiration date that is less than two years from the date of issuance of the certificate;
- (3) Allowing limited issuance or activation fees;
- (4) Amending the definition of "gift certificate"; and
- (5) Defining "service fee" to exclude activation or issuance fees.

Your Committee received testimony in support of this measure from the Hawaii Bankers Association, the Hawaii Credit Union League, Visa Inc., and one individual. Testimony in support of the intent of this measure with amendments was submitted by the

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Department of Commerce and Consumer Affairs. Testimony offering comments on this measure was submitted by the Division of Financial Institutions of the Department of Commerce and Consumer Affairs and Retail Merchants of Hawaii. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that under the current law, Hawaii's definition of gift cards includes prepaid debit cards and state banks are prohibited from issuing them. Because Hawaii's gift card law does not apply to federally chartered banks and savings associations, those institutions are free to issue prepaid debit cards, placing state chartered banks at a competitive disadvantage. This measure aims to harmonize Hawaii's definition of gift cards with the federal law adopted as part of the Credit Card Act of 2009, thus helping state chartered banks to compete in the Hawaii market.

Your Committee further finds that extending the expiration date of gift cards is also consistent with the Credit Card Act of 2009 and is more consumer friendly than the previous expiration date of two years. However, your Committee recognizes that the cost of keeping accounts open for up to five years, as well as the cost of issuing and maintaining open-loop prepaid cards, is greater than the costs of one-use paper cards and a one time activation or issuance fee will help to allay these costs.

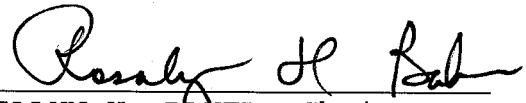
Your Committee has amended this measure by:

- (1) Extending the expiration date of both paper and plastic certificates to at least five years;
- (2) Imposing activation or issuance fees on gift cards not to exceed ten per cent of the face value of the card or \$5, whichever is less; and
- (3) Making the measure effective on July 1, 2010.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2289, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2289, H.D. 2, S.D. 1, and be placed on the calendar for Third Reading.



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




ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Fifth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <b>HB 2289 HD2</b>	Committee Referral: <b>CPN</b>	Date: <b>3/12/10</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
IGE, David Y. (VC)				✓
ESPERO, Will	✓			
GREEN, M.D., Josh	✓			
IHARA, Jr., Les	✓			
SAKAMOTO, Norman				✓
HEMMINGS, Fred	✓			
<b>TOTAL</b>	<b>5</b>			<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align: center; font-family: cursive; font-size: 1.2em;">  </div>				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes