

RETAILERS: New Colorado Consumer Protection Law Requires Redemption of Gift Cards with a Cash Value of \$5 or Less

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On April 29, 2010, Colorado Governor Bill Ritter signed a [consumer protection bill](#) which requires gift card issuers to redeem the card, upon request, if the remaining value is \$5 or less. In addition, it bans retailers, restaurants and others from selling gift cards that have any type of fee, including a service fee, a dormancy fee, an inactivity fee or a maintenance fee. This new law will apply to gift cards issued on or after **August 11, 2010**.

Under this law, "gift card" is defined as a prefunded tangible or electronic record of a specific monetary value evidencing an issuer's agreement to provide goods, services, credit, money, or anything of value. A gift card includes a tangible card, electronic card, stored-value card, or certificate or similar instrument, card, or tangible record, all of which contain a microprocessor chip, magnetic chip, or other means for the storage of information and for which the value is decremented upon each use.

A gift card does **not** include a prefunded tangible or electronic record issued by, or on behalf of, any government agency, a gift certificate that is issued only on paper, a prepaid telecommunications or technology card, or a card that is donated or sold below face value at a volume discount to an employer or charitable organization for fundraising purposes. Likewise, a card or certificate issued to a consumer pursuant to an awards, loyalty, or promotional program for which no money or other item of monetary value was exchanged is expressly excluded from the definition of a gift card.

In addition, this new law does not apply to gift cards that are usable with multiple sellers of goods or services, but expressly applies to a gift card usable only with affiliated sellers of goods or services.

A violation of this new law will be deemed a violation of Colorado's deceptive trade practice law.

Once the law is effective, Colorado will join a handful of other states with laws requiring redemption of gift cards with less than a certain cash value. Under California law, as just one example, any gift certificate with a cash value of less than \$10 is redeemable in cash for its cash value.