

Gift Certificates & Layaway Deposits

UCP Guide

A guide to determining the unclaimed property you need to track and report

Gift Certificates

Unredeemed gift certificates are presumed abandoned five years after issue per RCW 63.29.140. The amounts are reportable regardless of whether names or addresses are available. The amount reportable is the value paid by the purchaser. Finally, because of the nature of gift certificates, you may not charge service fees.

Periods of Limitations Do Not Apply

When we find unreported gift certificates in audits, it is often because the retailer assumes a time limit on the gift certificates eliminates the liability prior to abandonment. RCW 63.29.290 specifically exempts abandoned property from any period or time limit on which a claim can be made.

Incomplete Records

During your initial review, supporting records may not exist or be incomplete to cover the period you need to report. You should book the liability based on estimates for periods where records are incomplete or unavailable.

It is important to estimate the amount reportable in the current year, reportable in the five years prior, and book your future liability. You will need to estimate to the point where your records will allow you to track actual amounts.

Owner information for unclaimed gift certificates can be sparse. Historically, they are issued as bearer instruments without reference to a name or, in some cases, a certificate number. You will need to decide the level of detail you want to maintain concerning

individual certificates. Some organizations keep very detailed records of the purchaser and the intended payee. Other organizations maintain totals only.

While it is always preferable to report based on actual unredeemed gift certificates, you will need to report gift certificates based on whatever level of records and detail you maintain.

Gift certificates are reportable at the value paid by the purchaser. You may not deduct maintenance or other fees from the owner's balance.

Report the Value Paid

Sometimes, a retailer issues gift certificates for a movie, dinner for two, hotel stay, or other personal service without referring to an amount. It is the value paid by the purchaser that becomes abandoned.

Electronic Gift Cards & Similar Stored Value Cards

Retailers are beginning to offer "smart" cards as an alternative to the paper gift certificate or credit memo. These cards employ a variety of high tech features including the ability to "recharge" the card via a computer chip in the card.

For abandonment purposes, the cards should be aged from the date money was placed on the card. Rechargeable cards should be aged from the last increase in the balance.

Unlike bank accounts, purchases or decreases to the balance should not be considered "activity" for aging purposes.

September 2001

Another new issue is the charging of administrative or inactivity fees against gift cards and similar stored value instruments. While these fees have not been legally tested, it is important to remember that the law specifically indicates the amount presumed abandoned is the “price paid by the purchaser.” The law does not anticipate reductions for fees.

Gift certificates have historically been bearer instruments and thus there has been no method to contractually take charge against the bearer with prior consent. In case law dealing with fees, the courts have generally ruled that the owner, in advance, must accept the contractual agreed fee. Because gift certificates are typically given to others and are honored by the retailer to any presenter, it is unlikely that these charges would be legally binding.

Customer Credits

Often, a retailer will issue a store credit for the balance of a redeemed gift certificate or for a merchandise exchange. The value these credits represent is presumed abandoned after five years.

Layaway Deposits

Unclaimed layaway deposits are presumed abandoned after five years per RCW 63.29.020. Unless your customer has knowingly signed a contract allowing you to take holding or restocking fees, the entire deposit is reportable. If you take a charge, show it on your reporting form and provide a specimen contract. Contact the Unclaimed Property Section if you have questions concerning layaway deposits on a “one of a kind” item or special order.

Time Can't Be Contracted, Fees Can

Holders mistakenly believe those layaway deposits with a contractual time limit are exempt from unclaimed property reporting. RCW 63.29.290 specifically exempts property from time limits for unclaimed property purposes. You may contract for your reasonable fees. Have the customer sign a clear contract and apply your fees uniformly to all layaway deposit customers, not just those who do not reclaim their money.



UCPGUIDES are published by the Department of Revenue, Unclaimed Property Section. Comments and questions should be addressed to Department of Revenue, Unclaimed Property, PO Box 448, Olympia, Washington 98507-0448. To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. TDD users please call 1-800-451-7985.
<http://dor.wa.gov>

Printed on recycled paper