

Department of Revenue Fiscal Note

Bill Number: 5988 SB	Title: Gift certificates/unclaimed	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax					(1,950,000)
GF-STATE-State 06 - Transfers 21 - Operating Trans In					107,200,000
Total \$					105,250,000

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.0	0.5	1.0	7.5
Account					
Unclaimed Personal Property Account-State 196-1		154,900	154,900	140,200	1,980,000
Total \$		154,900	154,900	140,200	1,980,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

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Agency Preparation: Kari Kenall	Phone: 60-534-1508	Date: 01/25/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/25/2024
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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Note: This fiscal note reflects a revision to the revenue impact, and replaces fiscal note number 5988-1.

CURRENT LAW:

Unclaimed property refers to property held by an organization (holder) that has not had contact with the owner for an extended period of time. Property is usually considered unclaimed after three years. Banks, retailers, credit unions, utilities, corporations, insurance companies, and governmental entities are some of the many holders of unclaimed property.

Typical unclaimed property includes:

- Bank accounts
- Insurance proceeds
- Stocks, bonds, and mutual funds
- Safe deposit box contents
- Utility and phone company deposits
- Uncashed checks, such as payroll, insurance payments, or traveler's checks

Unclaimed property does not include real estate, vehicles, and most other physical property.

The Department of Revenue (department) administers an unclaimed property program to seek the rightful owners of unclaimed property.

Holders must generally report and pay over unclaimed property to the department.

Holders do not report unredeemed gift certificate values to the department as unclaimed property, provided the gift certificate doesn't contain an expiration date. A gift certificate is defined as an instrument evidencing a promise by the seller or issuer that the bearer will receive consumer goods or services up to the value or credit shown and includes gift cards.

Holders of any property presumed abandoned valued at \$75 or more must notify the owner before reporting the property to the department.

PROPOSED LAW:

This bill requires certain holders to report abandoned gift certificates to the department three years after the gift certificate becomes payable or distributable. The amount on an abandoned gift certificate is any net value unredeemed for more than three years.

Holders exempt from reporting abandoned gift certificates to the department include holders:

- Whose total revenue does not exceed \$100,000,000 in the prior fiscal year.
- That issue gift certificates that allow purchasing products, goods, and services only through paid membership programs, which cost at least \$50 annually.

This bill expands the definition of gift certificates to include stored or earned "loyalty points." "Loyalty points" means a benefit to a consumer without direct monetary consideration under an award, reward, benefit, loyalty, incentive, rebate, or promotional program used or redeemed only to obtain goods, services, or a discount on goods or services.

Gift certificate owners may redeem abandoned gift certificates through the holder if the department has not notified the

holder of the claimed property. The department must notify holders when paying a claim.

Holders of any property presumed abandoned valued at \$50 or more must notify the owner before reporting it to the department.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session and applies to gift certificates issued or reloaded on or after July 1, 2024.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- This estimate excludes any property not convertible to money.
- The limited data available to use in this estimate may underestimate or overestimate the actual revenue change.
- Most holders will not have a record of the owner's name and address for abandoned gift certificates.
- Holders report abandoned property without a known owner name and address to the company's state of incorporation.
- Holders with global revenue that does not exceed \$100,000,000 are exempt from reporting abandoned gift certificate balances.
- Of annual gift certificates sold, 2% meet the criteria as abandoned property.
- Growth mirrors the taxable sales growth in the Economic and Revenue Forecast Council's November 2023 forecast.
- Under current law, holders consider unredeemed gift certificates deferred revenue. Holders convert deferred revenue to current revenue after a three-year abandonment period and pay B&O tax on the amount converted.
- With this bill, holders do not pay B&O tax on amounts reported to the department as unclaimed property.
- Owners will claim 4% of gift certificates reported to the department through the department's unclaimed property program. This may overestimate the B&O tax loss.
- Holders continue to convert deferred revenue associated with abandoned gift certificates to revenue and pay B&O tax until fiscal year 2029.
- Holders report on time. Their first reports with abandoned gift certificate values are due October 31, 2028, impacting state revenues in fiscal year 2029.
- This legislation passes effective June 4, 2024, and applies to gift certificates issued or reloaded on or after July 1, 2024.

DATA SOURCES:

- National Retail Federation, Gift card average balance
- Securities and Exchange Commission, Company financial data
- Starbucks, Gift card data
- Target, Store location data
- Forbes, Gift certificate breakage
- Department of Revenue, Excise tax reporting
- Economic and Revenue Forecast Council, November 2023 forecast

REVENUE ESTIMATES:

This bill creates a net increase in state revenues by an estimated \$105.3 million in fiscal year 2029.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$	0
FY 2025 -	\$	0

FY 2026 - \$ 0
FY 2027 - \$ 0
FY 2028 - \$ 0
FY 2029 - \$ 105,250

Local Government, if applicable (cash basis, \$000): None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

This legislation will affect 100 businesses holding unclaimed gift certificates and gift cards.

FIRST YEAR COSTS:

The department will not incur any costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$154,900 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 1.0 FTE.

- Respond to additional calls and correspondence from businesses and the general public regarding gift card reporting and claims.

Object Costs - \$76,500.

- Print and mail a special notice to all holders of unclaimed property.

THIRD YEAR COSTS:

The Department will incur total costs of \$70,100 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 1.0 FTE.

- Respond to additional calls and correspondence from businesses and the general public regarding gift card reporting and claims.

FOURTH YEAR COSTS:

The Department will incur total costs of \$70,100 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 1.0 FTE.

- Respond to additional calls and correspondence from businesses and the general public regarding gift card reporting and claims.

FIFTH YEAR COSTS:

The Department will incur total costs of \$188,000 in fiscal year 2028. These costs include:

Labor Costs – Time and effort equate to 1.0 FTE.

- Respond to additional calls and correspondence from businesses and the general public regarding gift card reporting and claims.

Object Costs - \$117,900.

- Print and mail a special notice to all holders of unclaimed property.

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- Print holder reporting booklets.

SIXTH YEAR COSTS:

The Department will incur total costs of \$1,792,000 in fiscal year 2029. These costs include:

Labor Costs – Time and effort equate to 14.0 FTEs.

- Answer calls and correspondence and assist businesses in reporting gift cards.
- Receive reporting from business holding unclaimed gift cards.
- Answer calls and emails and set up claims from the general public for gift cards.
- Process and approve or deny gift card claims from the general public.
- Notify holders when gift card claims are completed.

Object Costs - \$567,900.

- Print and mail claim forms to individuals who cannot file their claim electronically.
- Printing of warrants in payment of additional claims.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.0	0.5	1.0	7.5
A-Salaries and Wages		42,400	42,400	84,800	737,000
B-Employee Benefits		14,000	14,000	28,000	243,200
E-Goods and Other Services		91,500	91,500	21,200	902,600
J-Capital Outlays		7,000	7,000	6,200	97,200
Total \$		\$154,900	\$154,900	\$140,200	\$1,980,000

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
CUSTOMER SERV SP2	42,444		1.0	0.5	1.0	2.0
EXCISE TAX EX 1	46,596					4.0
EXCISE TAX EX 3	64,092					0.5
EXCISE TAX EX 4	70,800					0.5
FISCAL ANALYST 3	59,616					0.5
Total FTEs			1.0	0.5	1.0	7.5

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required