

SENATE BILL REPORT

SB 5654

As of February 13, 2019

Title: An act relating to rewards cards.

Brief Description: Concerning rewards cards.

Sponsors: Senators Mullet, Wilson, L. and O'Ban.

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 1/31/19.

Brief Summary of Bill

- Adds rewards cards as property that is exempt from the Uniform Unclaimed Property Act.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Staff: Clint McCarthy (786-7319)

Background: Uniform Unclaimed Property Act. The Uniform Unclaimed Property Act governs the disposition of property unclaimed by its owner. A business holding unclaimed property (holder) must report and transfer the property to the Department of Revenue (DOR) after a holding period set by statute. The holding period varies by the type of property, but for most unclaimed property, such as abandoned bank accounts, stocks, and bonds, the holding period is three years. After the holding period has passed, the holder in possession of the property transfers the property to DOR. A holder who willfully fails to file a report, or deliver property, as required under the Act is subject to a \$100 per-day penalty plus an additional 100 percent penalty based on the value of the property that should have been reported.

DOR's duty is to find the rightful owner of the property, if possible. Most property reported is intangible property and holders remit the cash value to DOR. With some exceptions, DOR will sell tangible property still unclaimed within five years after it is received. State law requires DOR to hold stocks, bonds, and other securities for a period of time—usually three

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years—before being sold. When the unclaimed property is sold, the sale proceeds are deposited in the state general fund.

The owner of unclaimed property may come forward at any time to claim the property. If the property has already been sold by DOR, the owner is generally entitled to the proceeds of the sale, plus any interest accruing as part of the security, less administrative costs. However, if abandoned stock or other securities are sold before the expiration of the three-year holding period by DOR, the owner is entitled to the greater of the market value of the security at the time the claim is made or the proceeds of the sale, less any administrative costs.

Rewards Cards. Rewards cards are structured marketing strategies designed by merchants to encourage customers to continue to shop at or use the services of businesses associated with each program. These programs exist covering most types of commerce, each one having varying features and rewards.

In marketing generally, and in retailing more specifically, rewards card, a loyalty card, points card, advantage card, or club card is a plastic or paper card, visually similar to a credit card, debit card, or digital card that identifies the card holder as a participant in a loyalty program.

According to the marketing firm Bond Brand Loyalty, the value of unclaimed points or rewards was valued at \$100 billion as of 2017.

Summary of Bill: A rewards card is defined to mean any loyalty, incentive, or promotional program managed by a financial institution or a business association. A rewards card can be a physical card or an electronic record. A rewards card consists of points, cash, or other tokens of value given to a cardholder as a reward or incentive for engaging in a transaction or a series of transactions.

Rewards cards are exempt from the Uniformed Unclaimed Property Act.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: If people want to access their points, they sometimes want to first accumulate them over a period of time and might not necessarily be using them. This is an important consumer protection bill. Consumers should not lose their points due to not using them over a specific time period. This bill ensures that consumers will not lose their points.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Brent Ludeman, United Financial Lobby.

Persons Signed In To Testify But Not Testifying: No one.