

SENATE BILL REPORT

SB 5207

As Reported by Senate Committee On:
Business, Financial Services & Trade, February 13, 2025

Title: An act relating to requiring refunds to consumers for early cancellation of term-based subscriptions to electronic media services.

Brief Description: Requiring refunds to consumers for early cancellation of term-based subscriptions to electronic media services.

Sponsors: Senators MacEwen, Dozier, Hasegawa, Nobles and Valdez.

Brief History:

Committee Activity: Business, Financial Services & Trade: 1/23/25, 2/13/25 [DPS-WM].

Brief Summary of First Substitute Bill

- Directs electronic media services to provide refunds to consumers on a pro rata basis when requested.
- Defines the failure or refusal of an electronic media service to issue a subscription refund as a violation that is subject to the Consumer Protection Act.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Majority Report: That Substitute Senate Bill No. 5207 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kauffman, Chair; Cortes, Vice Chair; Dozier, Ranking Member; Fortunato, Hasegawa, Lovick, McCune, Stanford and Wilson, J..

Staff: Clint McCarthy (786-7319)

Background: [Efforts by States to Clarify Consumer Rights in the Use of Subscription](#)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Services. A number of states have passed laws regulating automatic renewal payments for subscriptions and services in the last year. A number of states have passed laws requiring companies that provide goods and services through subscriptions to give notice prior to an automatic renewal of a subscription and make it easier for consumers to cancel subscriptions. Prior notice requirements range from 14 to 60 days. Examples of states that have made statutory changes on automatic renewal subscription services in 2024 include:

- Tennessee;
- Minnesota;
- California; and
- Virginia.

The Federal Trade Commission Issues the Click-to-Cancel Rule, Effective January 15, 2025. On January 15, 2025, the Federal Trade Commission finalized the Click-to-Cancel rule that imposed requirements on companies that use subscription services. This rule requires easy cancellation and record keeping of consent, and broadly prohibits misrepresentation in connection with the sale of a product or service through a negative option. Negative option marketing broadly refers to a category of commercial transactions in which sellers interpret a customer's failure to take an affirmative action, either to reject an offer or cancel an agreement, as assent to be charged for goods or services.

Click-to-Cancel has a number of new requirements in place, including:

- it must be as easy to cancel the subscription as it is to provide consent to the service;
- cancellation must be available through the same medium as to sign-up;
- cancellation online must be easy to find and cannot require interacting with a live or virtual representative;
- cancellation requests must be honored promptly when made to a live person or recorded message; and
- cancellation must be offered by phone when the consumer initially consented in person.

The final rule is silent on refunds due to early cancellation of a subscription initiated by a consumer.

Summary of Bill (First Substitute): Definition of Electronic Media Service. The term "electronic media" is defined as any combination of intangible music, news, or other intangible forms of information or entertainment. Electronic media services are defined as any commercial service that is provided to consumers, music, news or other intangible forms of information or entertainment, in exchange for money. These services are provided to consumers through a subscription arrangement where there is an agreement between the electronic media service and the consumer where the consumer receives access to the electronic media in exchange for money during either a set term or on a regularly recurring basis. A subscription is an agreement between a consumer and an electronic media service with a term of one year.

Contractual Obligations of an Electronic Media Service to a Consumer. Electronic media services are obligated to disburse refunds due to consumer when a consumer cancels a subscription. The amount of the refund must be calculated on a pro rata basis of time in which the subscription was in effect until the end of the month in which the cancellation occurred. The basis of the amount of the refund must be based on the amounts paid up to cancellation and upon the charges agreed to by the consumer.

Automatic Renewal of Subscriptions. Electronic media services are permitted to continue to offer automatic renewal of any subscription to a consumer.

Violations. Electronic media services that fail or refuse to offer a subscription refund to a consumer are in violation of this act. A private right of action concerning electronic media services is not permitted. Subscriptions offered by an electronic media services are subject to the Consumer Protection Act.

EFFECT OF CHANGES MADE BY BUSINESS, FINANCIAL SERVICES & TRADE COMMITTEE (First Substitute):

The definition of "electronic media" and "electronic media service" in narrowed down by removing software and games from the definition. The definition of "subscription" is modified to mean an agreement or contract between a consumer and an electronic media service, the primary consideration of which is the provision of electronic media in exchange for money, for a period of at least one year. Clarifies that the cancellation takes effect after the completion of the month in which the cancellation occurred. Asserts that the refund must be calculated on a pro rata basis of time in which the subscription was in effect until the end of the month in which the cancellation occurred.

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 on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This comes from frustrations heard and firsthand experience. A lot of people have subscriptions. Cancelling these services are difficult. Click to Cancel is a good start. If you bought an annual subscription, there is no proration. You are stuck being out of money for the rest of the year. Companies say this is too hard to implement. Open to amendments that make the bill work, but not weakening the bill.

CON: There are issues with the mechanics of the bill that need to be followed up with the

prime sponsor.

OTHER: When you subscribe to a newspaper, you subscribe to a website. The hope is that the term news can be removed from the bill.

Persons Testifying: PRO: Senator Drew MacEwen, Prime Sponsor.

CON: Morgan Irwin, Association of Washington Business.

OTHER: Rowland Thompson, Allied Daily Newspapers of Washington, Washington Newspaper Publishers Association .

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