

GIFT CARD FRAUD

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4598 as introduced
Sponsor: Rep. Mike Harris

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4599 as introduced
Sponsor: Rep. Samantha Steckloff

Committee: Regulatory Reform
Complete to 6-25-25

SUMMARY:

House Bills 4598 and 4599 would amend the Organized Retail Crime Act to make certain acts related to gift card fraud violations of the act.

House Bill 4598 would amend the act to add that a person is guilty of organized retail crime if they, alone or in association with another person, do any of the following knowingly and with the intent to defraud:

- Acquire possession of a *gift card* or *gift card redemption information*.
- Alter or tamper with a gift card or gift card redemption information.
- Exploit a gift card holder, issuer, or seller.
- Obtain money, goods, services or any other thing of value with a gift card or gift card redemption information that was acquired in violation of the bill.

A violation of the act is a felony punishable by imprisonment for up to five years, a fine of \$5,000, or both, in addition to restitution to the victims.

MCL 752.1084

House Bill 4599 would amend the act to add definitions for terms used in House Bill 4598.

Gift card would mean a physical or digital *closed-loop gift card* or *open-loop gift card* that is either activated or inactivated.

Gift card redemption information would mean information unique to each gift card that allows the cardholder to access, transfer, or spend the funds on the gift card.

Closed-loop gift card would mean a card, code, or device that is issued to a consumer on a prepaid basis primarily for personal, family, or household purposes in a specified amount, regardless of whether the amount may be increased or reloaded in exchange for payment and is redeemable on presentation by a consumer at a single merchant or group of affiliated merchants.

Open-loop gift card would mean a card, code, or device that is issued to a consumer on a prepaid basis primarily for personal, family, or household purposes in a specified amount, regardless of whether the amount may be increased or reloaded in exchange

for payment and is redeemable on presentation at multiple unaffiliated merchants for goods or services within the payment card network.

The bill is tie-barred to HB 4598 and would not take effect unless both bills are enacted

Proposed MCL 725.10813a

Each bill would take effect 90 days after it is enacted.

FISCAL IMPACT:

House Bill 4598 would have an indeterminate fiscal impact on the state and on local units of government. Under the bill, a person would be guilty of organized retail crime if they knowingly and with intent to defraud acquired possession of a gift card or gift card redemption information; altered or tampered with a gift card or gift card redemption information; exploited a gift card holder, issuer, or seller; or obtained money, goods, services, or any other thing of value with a gift card or gift card redemption information that was wrongly acquired. Organized retail crime is a felony punishable by imprisonment for up to five years or a fine of \$5,000, or both. An increase in felony convictions under the bill would result in increased costs related to state prisons and state probation supervision. In fiscal year 2024, the average cost of prison incarceration in a state facility was roughly \$46,200 per prisoner, a figure that includes various fixed administrative and operational costs. State costs for parole and felony probation supervision averaged about \$5,500 per supervised offender in the same year. Those costs are financed with state general fund/general purpose revenue. Any fiscal impact on the judiciary and local court systems would depend on how provisions of the bill affected court caseloads and related administrative costs. It is difficult to project the actual fiscal impact to courts due to variables such as law enforcement practices, prosecutorial practices, judicial discretion, case types, and complexity of cases. Any increase in penal fine revenue would increase funding for public and county law libraries, which are the constitutionally designated recipients of those revenues.

House Bill 4599 defines the terms *gift card*, *closed-loop gift card*, *open-loop gift card*, *gift card redemption information*, *issuer*, *seller*, and *value*. The bill would have no fiscal impact on the state or on local units of government.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.