

Texas Gift Card Law Amended—New Cash Redemption Requirements

Article By:

Gregory T. Parks

Anne Marie Estevez

Christina Edling Melendi

Ezra D. Church

Joseph Duffy

C. Erik Hawes

Background

Several states have laws that require retailers to provide a cash redemption on gift cards that fall below a certain balance. These laws have been the source of class action and government enforcement over the past several years. For example, retailers in California faced government inquiries and dozens of class action filings alleging noncompliance after a similar cash redemption requirement was added to the California gift card law in 2008.

The New Texas Gift Card Rules

Effective September 1, 2015, retailers in Texas will be required to provide, at customer request, a cash redemption on gift cards that have a value of less than \$2.50. The law only applies to gift cards used to make in-person purchases (i.e., not online). The cash redemption requirement will not apply to certain gift cards, including

- (a) cards with an initial value of \$5 or less to which additional value cannot be added,
- (b) cards distributed as a refund for non-receipted returns,
- (c) cards distributed as part of an awards, loyalty, rebate, or other promotional program (i.e. distributed without cost to the consumer), and

(d) prepaid calling cards.

Practical Implications

Retailers should prepare to implement cash redemption procedures for store locations in Texas. Retailers should take particular care to

- (1) make sure they have a process in place that allows cashiers to provide cash redemptions when requested,
- (2) revise internal policies and procedures to allow for cash redemptions,
- (3) consider revision of terms and conditions or other public disclosures regarding gift cards to note the availability of a cash redemption, and
- (4) properly train cashiers regarding the need to provide cash redemptions upon customer request.

Although Texas's gift card law specifically provides that it does not create a cause of action against the issuer or seller of gift cards, that fact likely will not prevent plaintiffs' lawyers from finding creative (albeit meritless) ways to bring lawsuits in the retail space.

Copyright © 2025 by Morgan, Lewis & Bockius LLP. All Rights Reserved.

National Law Review, Volume V, Number 215

Source URL: <https://natlawreview.com/article/texas-gift-card-law-amended-new-cash-redemption-requirements>