CLIENT ALERTS & INSIGHTS

California Expands Gift Card "Cash-Out" Rights: What Businesses Need to Know

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Key Takeaways

- California has expanded its gift card "cash-out" law, now requiring businesses to provide cash refunds for gift card balances under $15-the highest threshold in the nation-effective April 1, 2026.
- This change increases compliance obligations and litigation risk for businesses issuing or honoring gift cards in California, as both regulators and plaintiffs' attorneys are actively monitoring for violations, including class action lawsuits.
- Businesses should promptly update their policies, train staff, and ensure all gift card terms and redemption processes reflect the new $15 threshold to minimize legal exposure and maintain compliance.

State "cash-out" laws require businesses to redeem small remaining gift card balances in cash. These statutes vary by jurisdiction and can expose businesses to significant litigation risk, including class action liability, over nominal amounts. Businesses must understand these laws to manage their gift card programs and mitigate exposure.

California has now substantially expanded its "cash-out" protections, and businesses that issue or honor gift cards in California should take note.

State Variations on Gift Card Cash-Out Laws

Approximately 10 states currently require retailers to redeem low gift card balances for cash, though each sets its own rules. The thresholds vary widely: Washington mandates refunds for balances under $5, while Massachusetts requires cash-out only after a cardholder has used at least 90% of the card's original value. Most states with similar statutes set their thresholds between $1 and $10, and procedural requirements differ from one jurisdiction to the next. For multistate retailers, navigating this patchwork of obligations remains a persistent compliance challenge.

California has long been among the most consumer-friendly states in this area, prohibiting both expiration dates and service fees on most gift cards. With the passage of Senate Bill 22, which went into effect April 1 of this year, the state has now raised the cash-out threshold from $10 to $15-the highest in the nation. Found in amended California Civil Code Section 1749.5(b)(2), must now provide a cash refund whenever the cardholder requests redemption and a gift card's remaining balance is below $15 .

Exposure Beyond Regulatory Enforcement

It is important to recognize that government regulators are not the only parties monitoring compliance. Since California implemented its gift-card law, Plaintiffs' attorneys have pursued class action lawsuits-in both state and federal court-alleging failures to comply with California's gift card statutes. This combination of regulatory enforcement and private litigation means that even minor compliance gaps can create legal exposure.

Recommended Next Steps

Because the new $15 threshold will substantially expand the number of gift cards eligible for cash redemption, companies should act now to review and strengthen their compliance infrastructure.

- Update written policies to reflect the new $15 cash-out threshold and remove all references to prior thresholds.
- Train customer-facing staff on current legal obligations and the proper procedures for processing cash-out requests.
- Establish clear cash-out mechanisms for digital and electronic gift cards, including online portals or other accessible redemption channels.
- Review gift card terms, conditions and disclosures to confirm they accurately communicate consumers' redemption rights and do not conflict with applicable law.

Taking these steps proactively is the most effective way to reduce the risk of enforcement actions and private litigation.

For guidance and assistance with gift card cash-out state laws, please contact Laura Kogan and Krista Enns.