

Several States Target Gift Card Fraud this Holiday Season by Imposing New Compliance Obligations on Retailers

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Just in time for holiday shopping, new laws in [Maryland](#) and [New Jersey](#) that aim to combat gift card fraud have come into effect. These measures, along with similar laws recently enacted in other states, impose multi-layered compliance obligations on gift card merchants, even those that sell gift cards that can only be redeemed at the merchant that sold them.

Gift card scams are now among the most common forms of consumer fraud. According to [AARP](#), 34 percent of US adults have either been targeted or know someone who has been targeted by these scams. Reported losses from gift card fraud have increased by more than 300 percent in recent years.

Along with AARP, the National Conference of State Legislatures, and a public-private partnership called the Gift Card Fraud Prevention Alliance, are making a major push to both educate the public and encourage states to pass laws that specifically target gift card fraud.

How Gift Card Scams Work

Fraudsters use two main tactics to carry out gift card scams:

1. Tampering with Physical Cards:

- Thieves steal inactivate cards from store displays, record the activation numbers using specialized software, and return them to the shelves. Once a consumer purchases and activates the card, the scammer quickly drains the funds.

2. Impersonation Scams:

- Scammers pose as government officials, tech support, or debt collectors, and pressure victims to pay fake obligations using gift cards. Victims are instructed to read the card's serial number and PIN over the phone, sending the money directly to the scammer.

Legislative Response

In response to the growing threat, several states have enacted laws aimed at curbing gift card fraud. [Rhode Island](#) and [New York](#) passed legislation in 2023, becoming the first states to address the issue through legislation. This was soon followed by legislation in [Delaware](#). On October 1, 2025, new laws passed by [Maryland](#) and [New Jersey](#) went into effect. [Pennsylvania](#) currently has a bill pending before its legislature.

These laws generally distinguish between:

- **Open-loop cards:** Usable at multiple retailers (e.g., Visa or Mastercard gift cards).
- **Closed-loop cards:** Usable only at a single retailer or affiliated group.

They also differentiate between in-store and online sales. But, for the most part, these laws do not provide special accommodations for merchants who sell gift cards to consumers nationwide from a single website. Nor do they contain exemptions for merchants who only sell a small volume of gift cards, or for those who only sell cards that can be redeemed at the merchant that sold them.

Key Compliance Requirements

These laws implement a mix of consumer protection measures, including:

- **Fraud warnings:** Merchants selling gift cards must display written notices that warn consumers about common scams. Some of these require warnings to be displayed on webpages where gift cards are sold online.
- **Tamper-evident packaging:** Requirements for protective packaging on physical cards to prevent theft and manipulation.
- **Employee training:** Retail staff must be trained to recognize and respond to potential scams.
- **Store signage:** Notices near gift card displays to educate consumers.

While their goals are aligned, each state's law contains unique provisions, making compliance complex for multi-state retailers. Certain businesses have resisted, contending that the regulations constitute excessive oversight and may unfairly affect smaller retailers.

However, these states have made clear that combating gift card fraud is a priority, and the new laws do not contain exemptions for small retailers or accommodations for merchants who sell gift cards to the public nationwide using a single webpage.

What Should Retailers Do to Comply?

- **Retailers should implement these new requirements as applicable** and proactively review their gift card sales practices, especially online disclosures, and prepare for potential audits or penalties.
- **State enforcement authorities and regulators will be focused on ensuring compliance with these new requirements** and will very likely visit places and websites where gift cards are sold to look for potential violations.
- **Retailers should also monitor legislative developments** as additional states take action to combat gift card fraud.
- **To prepare for this scrutiny, retailers should review their gift card programs to ensure compliance with other state laws**, including restrictions on fees, expiration dates, cash back requirements, and unclaimed property laws.

Law clerk Lily Eckler contributed to this blog post. She is not admitted to practice law.

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