



Retail Gift Cards and Store Credits -- A Tax and Unclaimed Property Audit Risk

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The proliferation of electronic gift cards raises critical income tax and unclaimed property issues for retailers' gift card policies. These issues also affect the issuance of merchandise credit or customer refunds in electronic form. Federal income tax law has not caught up with the proliferation of gift cards: the IRS is still assessing how retailers' should report income from gift card sales. In addition, revenue starved states are enacting laws to make unused gift card balances escheat to the state as unclaimed property.

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