



An Extended Guide · No. 1907

Gift Cards and Store Credit for a Small Shop

Physical and digital cards, tracking balances,
and the costs — set up right in your POS

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✓ Gift cards are a loan your customers give you

Here's the one idea to carry through this whole guide: when someone buys a gift card, they hand you money now for goods later. That's money you owe until they spend it — a liability on your books. Treat it that way and everything else falls into place.

Let's set up gift cards and store credit the right way

Gift cards bring in cash today, pull new faces through your door, and keep returns from walking out as refunds. They're a genuinely good tool for a small shop — as long as you track them properly.

I'm Bill, and I run Bill's Home Tech here in Portage County, Ohio. For 30-plus years I've helped folks get comfortable with their technology, and a good bit of that now is helping small shops turn on the features their POS already has — gift cards very much included.

I run my own little business on Square, so I know these systems from the inside, but I sell no payment processing and earn no commission from anyone. And I'm a tech helper, not an accountant or attorney — so for the bookkeeping and the legal fine points, I'll point you to the professionals and keep my part to what the buttons do.

★ The feature is probably already there

Most owners are surprised to learn their POS already has gift cards built in — they just never switched it on. Nine times out of ten, this is less about buying something and more about setting up what you've already got.

The whole guide, on one page

If you remember only these things, you understand gift cards well enough to run them.

- ❑ Gift cards come in two flavors: physical plastic cards and digital cards emailed to the recipient.
- ❑ Most POS systems — Square, Clover, Toast, Shopify — have gift cards built in and track balances automatically.
- ❑ An unredeemed gift-card balance is a liability — money you owe in goods or services. Track it on your books.
- ❑ 'Breakage' is gift-card value that never gets spent. It's real, but don't count it before it's yours.
- ❑ Your costs are the card stock and the processing fee on the redemption sale — not on the sale of the card itself.
- ❑ Federal rules generally limit gift-card expiration and dormancy fees — check the specifics with your attorney and state law.

✓ One rule to hold onto

Let your POS track the balances — never try to keep gift-card totals in your head or on a notepad. The system does it perfectly and in real time, and that tracked number is also what your books need.

Physical cards or digital — or both

Gift cards come two ways these days, and most shops end up offering both. Here's how they differ in practice.

Physical (plastic) cards

These are the plastic cards you see by the register. A customer buys one, you load a value onto it through your POS, and the recipient brings it back to spend. They're great for impulse buys and for gifts people want to hand over in person. The catch is you pay for the card stock and you have to keep some in a drawer.

Digital cards

These are emailed straight to the recipient — no plastic, no stock to reorder, and perfect for a last-minute gift or an online sale. The buyer enters a recipient's email and the card arrives in their inbox. Some customers still prefer something physical to wrap, which is why both have their place.

✓ Start digital, add plastic if you want it

If you're not sure, start with digital — there's nothing to buy and nothing to stock. If customers start asking for a card they can hand over, order a batch of plastic then. No need to commit to card stock on day one.

Your POS probably already does this

Before you go looking for a separate gift-card company, check what your register already offers. It's usually more than you'd think.

Square, Clover, Toast, and Shopify all have gift cards built into the system. They sell the card, load the value, track the balance, and subtract from it each time the card is used — automatically. You don't do the math; the system does, and it's always right.

Because it's built in, a gift card ties into the rest of your setup: it shows up in your sales reports, the balance is there when the customer comes back, and any staff member can check it. That's a lot tidier than a stand-alone gift-card program bolted on from outside.

The details differ by system — what the plastic cards cost, whether digital is included, how reporting looks — so confirm the specifics for yours. But the core feature is there in all four, as of late 2026.

★ Let's switch it on together

Turning on gift cards is usually a short settings job, not a purchase. I'll find the feature in whichever system you run, set it up, and sell you a test card to prove it works end to end. Call (330) 200-8042.

How balances get tracked

The whole magic of a gift card is that the system remembers what's left on it. Here's what's happening behind the counter.

When you sell a \$50 gift card, the system records a \$50 balance against that card. When the customer spends \$18, the system subtracts it and shows \$32 remaining. The card can be used again and again until it's empty — the POS keeps the running total so no one has to.

A digital card works the same way, tied to a code rather than a piece of plastic. Physical or digital, the balance lives in your system, not on the card itself, so even a lost plastic card can often be looked up and its balance protected.

This is exactly why you let the POS handle it. A notepad or a spreadsheet of gift-card balances is a recipe for errors and arguments at the counter. The register does it perfectly, in real time, every time.

! Never track balances by hand

I've seen shops try to run gift cards on a clipboard, and it always ends in a dispute — a customer sure they had more, a staff member sure they didn't. Let the system be the single source of truth, and there's nothing to argue about.

Why a sold gift card is a liability

This is the part owners miss, and it's the most important page in the guide. A gift-card sale isn't really income yet.

When someone buys a \$50 gift card, you've got \$50 in your drawer — but you haven't earned it. You owe that customer \$50 in goods or services whenever they come to collect. In bookkeeping terms, that outstanding balance is a **liability**: money you're holding that you still owe.

The income shows up later, when the card is actually spent. That's when you deliver the goods and the liability turns into a sale. Selling a card moves money into your account, but the earning happens at redemption, not at purchase.

Why does this matter? Because if you treat every gift-card sale as income the day it's bought, your books overstate what you've earned, and you can spend money you actually owe to customers. Tracking the outstanding balance keeps you honest with yourself.

★ This is where your accountant comes in

Exactly how to record gift-card liability and when it becomes income is an accounting question, and your accountant is the right person for it. I'm not an accountant and I won't pretend to be. I'll make sure your POS gives them a clean outstanding-balance number to work from. Call (330) 200-8042.

Breakage: the cards nobody spends

Some gift cards are bought and never fully used. That leftover value has a name, and a catch.

Breakage is gift-card value that never gets redeemed — the \$7 left on a card that's lost in a drawer, the card given as a gift and forgotten. Across all the cards you sell, a little breakage is normal, and eventually some of that value may become yours to keep.

Here's the catch: you can't count breakage as income just because a card has sat unused for a while. When unredeemed value can actually be recognized — and whether any of it has to be handed over to the state under unclaimed-property rules — are accounting and legal questions, not something to assume.

! Don't spend breakage before it's yours

It's tempting to look at old unredeemed balances as free money. Resist it until your accountant tells you it's genuinely earned and yours to keep. Guessing wrong means spending money you still owe a customer — or the state.

What gift cards actually cost you

Gift cards aren't free to run, but the costs are small and predictable once you know where they sit.

Cost	When it hits
Card stock	When you order plastic cards
Digital cards	Often included — confirm
Processing (card sale)	If the gift card is bought by card
Processing (redemption)	On the final sale, as normal

The point people miss: you generally pay the normal processing fee on the sale where the card is **redeemed**, the same as any sale. Selling the gift card itself may carry a processing fee too if the buyer pays by card. What you don't do is pay twice on the same dollars for no reason — confirm exactly how your system handles it.

Plastic card stock is a real but modest cost — you order a batch and they last a while. Digital cards usually avoid even that. Set against the cash a gift card brings in up front and the new customers it pulls in, the costs are easy to justify for most shops.

✓ **Price the stock, not the hype**

If a salesperson pitches a fancy gift-card program with monthly fees, ask what it does that your built-in feature doesn't. For most small shops, the built-in option plus a batch of plastic cards is all you need.

Store credit: keeping returns in the shop

Store credit is a close cousin of the gift card, and it's one of the quiet ways a small shop protects its cash.

When a customer returns something, you can refund their money — or you can offer **store credit** for the amount, which they can spend on anything you sell. The money stays in your shop instead of leaving it, and the customer still gets full value. Many people are happy to take it.

Your POS usually handles store credit much like a gift card: it records the credit to the customer's account or a card, tracks the balance, and lets them spend it down over time. It's the same tracking machinery, pointed at returns instead of gifts.

Like a gift card, outstanding store credit is value you owe — a liability — so it belongs on your books the same way. Our end-of-day-reports guide shows how these balances show up when you close out, so nothing slips through.

✓ Offer credit first, refund if they insist

A gentle 'Would store credit work, or would you rather have it back on your card?' keeps a lot of money in the shop without any arm-twisting. Most customers happily take the credit when you simply offer it first.

Two kinds of small business, two setups

How you sell shapes how gift cards work for you — plastic by the register for a shop, digital links for a vendor who travels light.

If you sell from a fixed counter or shop

You've got a counter and a drawer, so plastic cards by the register are easy — an impulse buy right where customers pay. Your POS tracks every balance and the cards tie into your regular reports.

- Keep a small rack of plastic gift cards by the register for impulse and holiday buys.
- Offer store credit on returns to keep money in the shop.
- Your POS tracks balances automatically and shows them in your reports.
- Reorder card stock in small batches so you're never stuck with a drawer full.

If you sell on the go — markets, trucks, house calls

You sell from a booth, a truck, or online, so digital gift cards fit best — nothing to stock, nothing to carry, and you can send one by email or a link on the spot.

- Use digital gift cards — emailed or sent as a link — so there's no card stock to haul.
- A gift-card link is easy to share online or text to a customer who asks.
- Balances still live in your system, so a customer can redeem next time they find you.
- If customers want something to wrap, carry a few plastic cards for the holidays only.

★ Not sure which fits your shop?

If you're part counter and part market, a mix of digital and a few plastic cards usually covers it. Tell me how you sell and I'll help you set up the right blend without overbuying stock. Call (330) 200-8042.

Setting up gift cards, step by step

Turning the feature on is quick. Doing it in a sensible order means you won't have to redo anything.

- **Find the feature** in your POS settings — all four major systems have it built in.
- **Decide digital, plastic, or both** — start digital if you're unsure, since there's nothing to buy.
- **Order card stock** if you want plastic, in a small first batch.
- **Set any rules your system allows** — minimum load, whether cards can be reloaded — within the law (see the legal page).
- **Sell a test card and redeem it** yourself to see the whole cycle work.
- **Tell your accountant** you're running gift cards so the liability is on the books from day one.

✓ Test the full loop before you launch

Sell a card, check the balance, spend part of it, check again, spend the rest. Once you've watched the whole cycle work on a test card, you'll trust it at a busy counter — and you'll know how to help a confused customer.

The legal side, in general terms

There are real rules about gift cards, mostly meant to protect customers. I'll give you the shape of them — the specifics are for your attorney.

At the federal level, the **CARD Act** sets baseline protections for gift cards. In general, it limits how soon a gift card can expire — commonly cards can't expire for at least five years — and it restricts dormancy or inactivity fees. The idea is that a customer's prepaid money shouldn't quietly vanish.

On top of the federal baseline, individual states have their own gift-card and unclaimed-property laws, and some are stricter. So the real rule for your shop is a blend of federal and state law, and it can change. This is genuinely a question for your attorney, not a guide.

I'm giving you the general picture so you know the rules exist and roughly what they protect — not so you'll set your own expiration policy from a web page. Before you put any expiration or fee on a card, run it by your attorney and check your state's law.

! Don't set expiration or fees from a guide

Expiration dates and dormancy fees are exactly where gift-card law bites. Don't copy a policy from somewhere else or guess. Confirm what's allowed with your attorney and your state's rules before you set anything.

Handling gift cards at the counter

A little counter routine keeps gift cards smooth for you, your staff, and the customer holding the card.

Selling one is simple: ring up the gift card like any item, load the amount the customer wants, and hand over the plastic or send the digital card. Redeeming is just as easy — scan or enter the card and the system applies the balance to the sale, then shows what's left.

Teach whoever works your counter two things: how to check a balance when a customer asks, and what to do with a card that doesn't cover the whole sale (the customer pays the rest by another method). Both come up, and both are easy once someone's seen them once.

✓ A balance check builds trust

Customers like knowing they can walk in and ask what's left on a card. Make it a friendly, two-second favor rather than a bother, and that card becomes a reason to come back rather than a worry.

Where gift cards show up in your numbers

Because gift cards are a liability until redeemed, they show up in two places in your numbers — and both matter.

First, your POS tracks the **total outstanding balance** across all your gift cards and store credit — the sum of what you still owe. That's the liability figure your accountant wants. Know where to find it in your reports, because it's the number that matters most here.

Second, redemptions flow through your regular sales reports as the cards get spent, the same as any sale. Our end-of-day-reports guide walks through reading the day's totals, including how gift-card activity appears when you close out each night.

★ I'll show you the two numbers

When I set up gift cards for a shop, I always point out the outstanding-balance report and the redemption line, so you and your accountant both know where to look. It's a two-minute thing that saves confusion later. Call (330) 200-8042.

Why gift cards are worth the setup

Setting them up takes a little effort, so let's be clear about what you get for it. For most shops, it pays off.

- **Cash up front:** you get paid now for goods delivered later, which helps your cash flow.
- **New customers:** a gift card is one person recommending you to another — and the recipient often spends more than the card's value.
- **Returns stay in the shop:** store credit keeps money with you instead of refunding it out the door.
- **A reason to come back:** a card with a balance is a standing invitation to return.
- **Holiday and occasion sales:** gift cards shine at the times people are looking for an easy gift.

✓ Small effort, standing benefit

Once gift cards are set up, they keep working with no further effort from you — selling, tracking, and bringing people back on their own. That's a rare thing in running a shop: set it up once, benefit for years.

Common mistakes people make

Gift cards are forgiving, but a few mistakes catch owners out. Now you'll see them coming.

- **Treating card sales as income right away** — spending money you still owe customers in goods.
- **Tracking balances by hand** instead of letting the POS do it, which breeds counter disputes.
- **Setting expiration dates or fees** without checking the law — a fast way to run afoul of the rules.
- **Counting breakage too early** as free money before it's genuinely earned and yours.
- **Over-ordering plastic stock** on day one when digital would have tested the waters for free.
- **Not telling the accountant**, so the liability never makes it onto the books.

! The one that bites quietly

The sneakiest mistake is spending gift-card money as if it's earned. It feels like income because it's in your account — but you owe it until the card is redeemed. Track the balance and you'll never fool yourself.

Lost cards, stolen cards, and fraud

Gift cards are low-risk, but a couple of situations come up. Knowing the answers ahead of time keeps them from being a headache.

Because the balance lives in your system rather than on the plastic, a lost physical card can often be looked up by the customer's purchase and its balance protected or reissued — check what your POS allows. A digital card is just a code in an email, so it can usually be resent.

Gift cards are also a favorite of scammers, who sometimes try to buy large amounts with a stolen credit card or talk a customer into paying a fake bill with gift cards. If a gift-card purchase feels off — unusually large, oddly urgent — slow down. Our card-testing-and-scams guide covers the warning signs.

! Big, urgent gift-card buys deserve a second look

A stranger rushing to buy a stack of high-value gift cards is a classic fraud pattern. You're allowed to slow down, verify the payment, and trust your gut. A real customer won't mind a careful cashier.

Using gift cards to bring people in

Beyond the basic sell-and-redeem, gift cards can be a gentle marketing tool. A few simple ideas, done within the rules.

A common one is a seasonal bonus — 'buy a \$50 card, get an extra \$10' around the holidays. It nudges gift-card sales when people are shopping for gifts anyway, and the bonus only costs you if the card is actually spent. Keep any such offer clear and honest so there's no confusion later.

Store credit works as a goodwill tool too: a small credit to make a mistake right keeps a customer happy and keeps them coming back, usually for more than the credit's worth. Used sparingly and sincerely, it's cheaper than losing the customer.

✓ Keep promotions simple and honest

The best gift-card promotions are easy to explain in one sentence. If you need fine print to describe your offer, simplify it. And run any bonus or expiration idea past the legal picture first.

Your gift-card setup checklist

Run through this when you set up gift cards. If every box is checked, you're running them properly.

- ☐ I've turned on the gift-card feature built into my POS.
- ☐ I've decided on digital, plastic, or both — and ordered only a small first batch of any stock.
- ☐ I've sold and redeemed a test card to see the whole cycle work.
- ☐ I know where my outstanding-balance report lives.
- ☐ I've told my accountant so the liability is on the books.
- ☐ I've checked any expiration or fee ideas against the law with my attorney.
- ☐ My staff know how to check a balance and handle a partial redemption.

✓ Revisit it each holiday season

Gift cards spike around the holidays, so give this list a quick look each autumn — restock plastic, double-check the feature, and refresh your staff. A five-minute review keeps the busy season smooth.

Setting honest expectations

Gift cards are a great tool, not a money machine. Knowing what they do and don't do keeps you happy with them.

They will bring in cash up front, track their own balances, keep returns in the shop as store credit, and pull in new customers. They won't earn you income the moment they're sold — that's a liability until redeemed — and they won't manage their own legal and accounting side. That part is on you and your professionals.

Expect a short setup, a small ongoing cost in stock and processing, and a steady, quiet benefit once they're running. Lean on your accountant for the books and your attorney for the rules, and gift cards become one of the easier good decisions a small shop can make.

✓ A tool, treated honestly, that pays off

Handle the money as what it is — owed until spent — and gift cards reward you with cash flow, new faces, and repeat visits. That's a fair trade for a bit of setup and honest bookkeeping.

Common Questions

The gift-card questions I hear most from shop owners, answered plainly.

Q: Do I need a separate company for gift cards?

Usually not. Square, Clover, Toast, and Shopify all have gift cards built in and track balances automatically. Check what your own system offers before paying for a separate program.

Q: Is the money from a gift card mine to spend right away?

Not really — it's a liability until the card is redeemed, because you owe goods or services for it. The income is earned when the card is spent. Track the outstanding balance, and ask your accountant how to record it.

Q: Can I put an expiration date on my gift cards?

Maybe, but tread carefully. Federal rules generally limit how soon cards can expire and restrict dormancy fees, and states add their own. Check with your attorney and your state's law before setting any expiration or fee.

Q: What's breakage, and can I keep it?

Breakage is value that never gets spent. Some of it may eventually become yours, but don't count it as income early — and unclaimed-property rules may apply. That's an accounting and legal question for the professionals.

Q: What do gift cards cost me?

Card stock for plastic cards, and the normal processing fee on sales — including the sale where a card is redeemed. Digital cards often avoid the stock cost. Confirm exactly how your system handles the fees.

★ Want help turning them on?

Setting up gift cards is one of those quick wins I love for a small shop — cash flow and new customers from a feature you already own. Call or text me at (330) 200-8042 and I'll switch it on and prove it works, then your accountant handles the books.

You don't have to figure this out alone

You just have to remember that a friendly, patient person who speaks plain English is one call away.

I hope this guide made gift cards and store credit feel a little less daunting and a lot more doable. Keep it with your other business papers, come back to a page whenever you need it, and don't feel you have to memorize a thing.

When you'd rather have a hand, that's exactly what I do. I come to your shop or your kitchen table, work at your pace, and never make you feel rushed or silly for asking. A first visit is a flat \$99, and for the parts that don't need me on-site I can often help right on your screen for \$49. Every visit comes with a 30-day, come-back-free guarantee. I don't sell payment processing and I earn no commission from any company — so the advice you get is just honest advice. For the tax and legal fine points, I'll point you to your accountant or attorney.

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Physical or Digital Gift Cards?

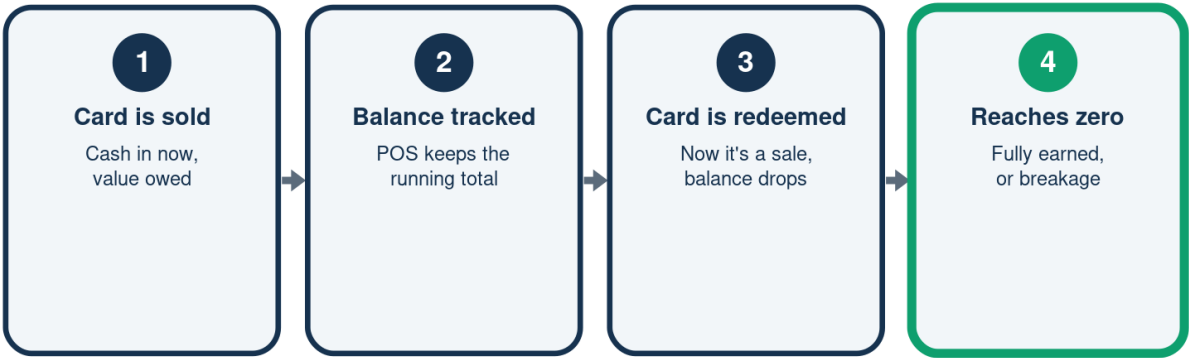
Most shops end up offering both

	Physical	Digital
What it is	Plastic card	Emailed code
To stock	Card stock	Nothing
Best for	In-person gift	Last-minute
Balance lives	In your system	In your system

Start digital if unsure -- add plastic when customers ask.

The Life of a Gift Card

Money owed, then earned -- the system tracks it all



A sold card is a liability until it's spent -- track the balance.

What Gift Cards Cost You

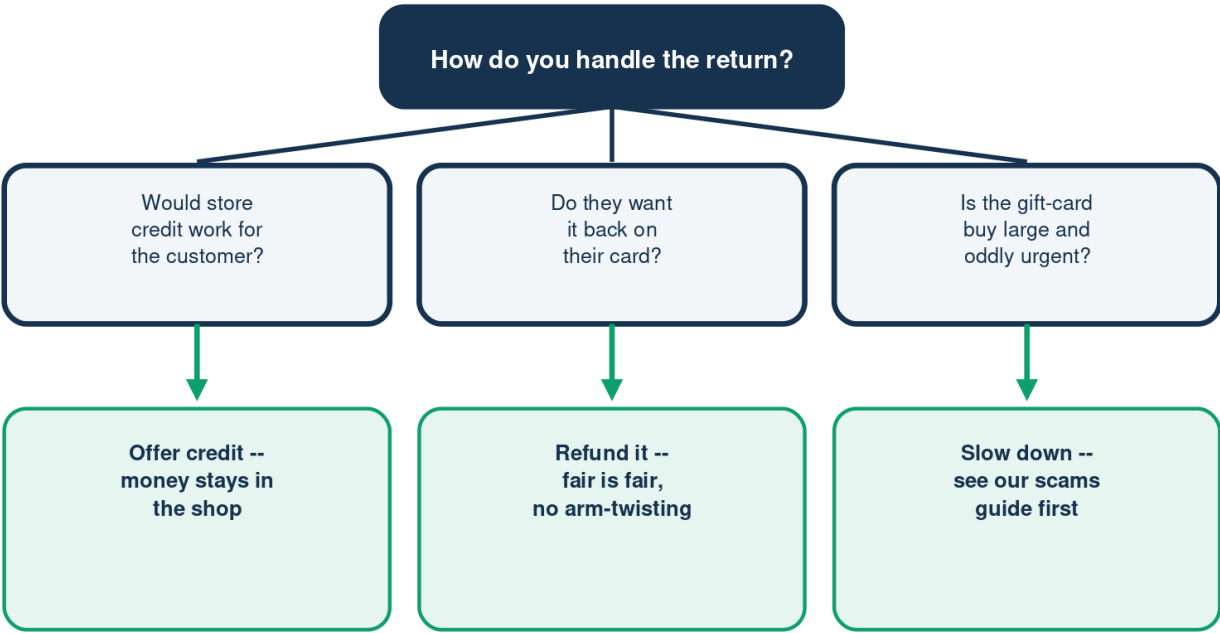
Small and predictable once you know where they sit

When it hits	
Card stock	Ordering plastic
Digital cards	Often included
Selling the card	Fee if paid by card
Redeeming	Normal sale fee

Confirm exactly how your own system handles the fees.

A Customer Is Returning Something

Keep the money in the shop where you fairly can



Outstanding gift cards and store credit are liabilities -- ask your accountant.

Illustration - a schematic, not to scale. Your setup may differ.



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A Note From Bill

A quick note from Bill.

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