



Digital Cash, Real Consequences: Combatting Fraud & Securing the Gift Card Economy

Center Forward Basics
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Overview

Gift card fraud, often referred to as ‘victim-assisted fraud,’ has become a significant revenue stream for some organized retail crime networks, according to law enforcement and industry reports. Far beyond simple shoplifting, these groups are structured criminal enterprises that also engage in cargo theft, large-scale scams, and cross-border resale schemes. Although revenue loss is significant, gift card fraud does not just cause financial damage to retailers. Organized crime groups use these scams to directly steal from families and seniors. Additionally, workers and consumers face heightened security risks in stores. These actions may contribute to broader impacts, including store closures, higher prices, and reduced access to goods in some communities. This Basic outlines how organized networks commit gift card fraud, details government and private-sector responses, and discusses proposed legislation to strengthen federal coordination.

Gift cards, which account for approximately \$200 billion in annual U.S. sales, function like digital cash. Once funds are redeemed or transferred, they are extremely difficult, sometimes impossible, to recover. While most retailers have a process for consumers to report or dispute gift card fraud on gift cards that they offer, retailers’ abilities to recoup funds for the consumer may be limited by scam type and whether funds are still available. High consumer use, immediate liquidity, and limited recovery options make gift cards an attractive target for criminal networks. Plus, the multiple layers of separation between the fraud actor and gift card recipient make it much more difficult for law enforcement to figure out who the fraud actor is. Gift card fraud can take many forms, which some industry groups and policymakers argue necessitate strong consumer education and a multifaceted law enforcement approach.

Payment Scams

In classic gift card scams, criminals impersonating employers, government officials, law enforcement, or loved ones contact victims using various methods—such as phone calls, text messages, and emails—and pressure them into making payments for supposed debts, emergencies, or fees using gift cards. Victims, often seniors, are instructed to purchase gift cards and share the redemption information with the scammer. The codes are quickly transferred within criminal networks; in many cases, goods are purchased with stolen cards in the U.S., then shipped overseas and resold.

Fake Balance-Checking Websites

Some schemes use fraudulent websites that claim to check a gift card’s balance to steal from consumers. When victims enter their gift card numbers and PINs, criminals immediately access and drain the funds.

In-Store Tampering: Card Draining

One of the fastest-growing gift card fraud tactics is card draining. Acting on behalf of an organized crime group, scammers remove inactive gift cards from displays and capture the card numbers and PINs. In some cases, they replace the barcodes before resealing the cards and returning them to shelves. Once an unsuspecting customer purchases and activates the card, criminals use automated systems to detect when funds are loaded onto it. They then rapidly drain the balance, often within minutes, by transferring the funds or purchasing goods to resell. Oftentimes, the fraud isn’t caught until the intended recipient tries to use their gift card, by which time the funds are long gone.

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Center Forward brings together members of Congress, not-for-profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions.

Key Statistics:

- A 2022 AARP survey found that one in three Americans has either experienced gift card fraud themselves or knows someone who has.
- In 2022, the Federal Trade Commission (FTC) received nearly 50,000 reports of gift card fraud, accounting for more than \$250 million in losses. Reports of gift card fraud have only increased since.

Transnational Organized Retail Crime & Project Red Hook

Organized gift card fraud has evolved into a transnational criminal enterprise with significant economic and national security implications. While no single organization controls all illicit activity, federal investigators have reported that some networks involved in large-scale gift card fraud may have ties to transnational criminal groups with connections to China. Leadership of these groups is typically based abroad, but card-draining schemes are primarily carried out by local operatives called “runners” who travel from store to store, often across states, to tamper with and steal gift cards. According to court filings and investigators, runners can tamper with extraordinary numbers of cards in short periods of time; one alleged runner was arrested after police found 2,260 Visa, Apple, and Mastercard gift cards in his car, all stolen over a 24-hour period from 14 Walmarts.

Investigators and prosecutors have alleged that proceeds from gift card fraud operations help finance other illicit activities tied to organized criminal groups, including fentanyl production and smuggling, human trafficking, and illegal migration. Gift card fraud also undermines consumer confidence in retailers and digital payment systems. Given the scale of the U.S. gift card market, widespread fraud can erode trust in everyday financial transactions. The revenue lost in the initial scam is compounded by future losses driven by low consumer trust.

To address reported threats linked to some transnational fraud networks, including those with alleged connections to China, the Department of Homeland Security has established a dedicated initiative known as “Project Red Hook.” The Project Red Hook task force works alongside retailers to identify patterns, disrupt operations, and dismantle networks that coordinate fraud. While the Project has successfully arrested over 200 people accused of card draining, it is believed that hundreds of “runners” are still actively tampering with gift cards to steal hundreds of millions of dollars.

Private Sector Response

To prevent theft and protect customers, many large retailers regularly work with federal law enforcement to support initiatives like Project Red Hook. Companies are also strengthening prevention strategies through layered approaches that combine real-time analytics, employee training, and updated card technologies designed to reduce unauthorized activation or misuse. These efforts often include collaborative initiatives, such as the Gift Card Fraud Prevention Alliance, which allows retailers to share data and identify cross-state fraud patterns. In addition to technical safeguards, retailers are investing in consumer education to help identify and report instances of theft.

Look Ahead

Many states have taken important steps to combat organized retail theft, including increasing penalties for stealing and tampering with gift cards and creating state-level task forces to coordinate law enforcement efforts. However, these crime syndicates not only frequently cross state lines but also operate globally, exploiting the government's difficulties in identifying, arresting, and prosecuting criminals across jurisdictions. Some argue that the size and scope of organized retail crime necessitate a nationally codified approach to prevention and interdiction.

Combating Organized Retail Crime Act

The Combating Organized Retail Crime Act (CORCA) is designed to strengthen the federal response to organized retail crime and related fraud schemes, including gift card abuse. The legislation builds on existing enforcement frameworks by providing law enforcement with more effective tools to address criminal networks operating across state lines and international borders.

CORCA introduces three primary reforms. First, it authorizes the aggregation of offenses across jurisdictions. Organized retail crime groups often structure thefts and fraud to remain below state-level felony thresholds, making individual cases appear minor. The bill would allow federal prosecutors to combine related incidents across multiple states, accounting for the full scope and coordinated nature of these operations. Some policy analysts caution that expanding federal aggregation authority may raise questions about proportionality in sentencing, particularly in cases involving lower-value thefts.

Second, it updates federal money-laundering laws to reflect modern payment methods. Gift cards are frequently used by organized networks to move and disguise illicit proceeds. CORCA clarifies that these tools fall within federal financial crime statutes, enabling investigators to target the financial infrastructure that sustains criminal enterprises rather than just the theft itself.

Third, the legislation establishes a federal Organized Retail and Supply Chain Crime Coordination Center within Homeland Security Investigations. This center would centralize intelligence, enhance collaboration among federal, state, and local agencies, and strengthen partnerships with retailers. It is intended to improve visibility into interstate and transnational crime patterns while accelerating investigations and information sharing.

As organized retail crime grows more coordinated and transnational, supporters argue that CORCA represents a necessary policy shift toward targeting the networks that finance and direct these operations, rather than just the low-level individuals carrying them out, while some analysts raise concerns about federal overreach and sentencing proportionality. By harmonizing efforts nationwide and enhancing coordination, proponents contend that the bill would boost consumer protection, reinforce supply chain security, and restore confidence in retail payment infrastructure, including gift cards.

As retailers, law enforcement, and consumers continue adapting to increasingly sophisticated gift card fraud schemes, Congress faces decisions about whether existing frameworks adequately address the scale and structure of modern retail crime. How policymakers approach this issue will influence not only the resilience of retailers and consumer confidence in widely used financial products such as gift cards but will also help define the federal government's role in responding to complex, multi-jurisdictional retail crime.

Link to Additional Resources

- AARP: [America's Favorite Gift is a Goldmine for Criminals](#)
- AARP: [Crooks Launder Proceeds of Their Crimes in Countless Ways](#)
- Federal Bureau of Investigation: [Organized Retail Theft](#)
- McAfee: Gift Card Scams: [The Gift That Keeps on Taking](#)
- National Retail Federation: [The Impact of Retail Theft & Violence Report](#)
- ProPublica: [Chinese Organized Crime's Latest U.S. Target: Gift Cards](#)
- The Home Depot: [The Rise of Organized Retail Crime and How The Home Depot is Tackling the Problem](#)
- U.S. Immigration and Customs Enforcement: [Tackling the Rise in Gift Card Fraud](#)
- U.S. Senate Committee on the Judiciary: [Combating Organized Retail Crime Act of 2025](#)
- Washington Retail Association: [Fighting gift card fraud: Retailers, law enforcement, and legislators unite](#)