

# ARA LEGAL UPDATE

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## COAM Gift Cards: The New Rules in Plain English

### GIFT CARDS ARE NOW THE MAIN WAY TO PAY COAM PRIZES

Since **July 1, 2026**, Georgia law strictly limits how stores may pay out COAM prizes. The change comes from House Bill 353, passed in 2024. For **Class B** machines, there are now only three legal options: **free replays, Georgia Lottery tickets, and gift cards**. Nothing else is allowed. O.C.G.A. § 50-27-71.1(a)(2)(B). Class A machines may use replays and gift cards, plus any other option the law or the Georgia Lottery Corporation (GLC) allows.

Before July 1, stores could also hand out store goods or gas as prizes. That is no longer allowed. If a player wants goods or gas, the store must first load the winnings onto a gift card, and the player then uses the card to pay.

### CLASS B COAM PRIZES — STARTING JULY 1, 2026



Source: O.C.G.A. § 50-27-71.1(a)(2)(B)

#### Four gift card rules every member must follow

- **Winnings only.** Put only the amount the player actually won on the card. § 50-27-71.1(b).
- **Load it at your store.** Cards may be loaded only on your premises, by you, your employees, or a self-service kiosk at your location. § 50-27-71.1(b), (d).
- **Spend it anywhere.** Players may use the card in your store or anywhere else it is accepted. § 50-27-71.1(b)–(c).
- **Never cash.** The card “shall not be exchanged for cash, change, or currency.” § 50-27-71.1(b).

**What if a store breaks the rules?** The first violation brings a warning. After that, the GLC imposes fines based on how much was paid out improperly. Other penalties still apply, including criminal penalties under O.C.G.A. § 16-12-35. § 50-27-71.1(a)(2)(B).

## QUESTIONS & ANSWERS

### Q: Can a player use a COAM gift card at an ATM to get cash?

**ANSWER: No.** A COAM gift card can never be turned into cash, whether at an ATM or anywhere else.

**What the law says.** A COAM gift card “shall not be exchanged for cash, change, or currency.” O.C.G.A. § 50-27-71.1(b). The law also defines a gift card as something used to buy “merchandise or service[s].” § 50-27-70(b)(5.1). Cash is neither. Paying a player money for winning on a COAM is also a crime. § 16-12-35.

**Why the question came up.** In November 2025, the GLC wrote that once a prize is loaded onto a gift card, the GLC cannot control how the card is used afterward. Some card companies read that letter to mean ATM-ready cards were acceptable and asked the GLC to confirm. The GLC refused. In a September 2, 2026 letter, GLC General Counsel **Joseph Kim** wrote:

*“Given that OCGA 50-27-71.1(b) says that gift cards ‘shall not be exchanged for cash, change or currency’, I cannot issue advice that would act as a safe harbor for COAM gift cards being exchanged for currency. ... [T]he GLC cannot remove restrictions on COAM gift cards expressly provided for in statute (i.e. the COAM gift card cannot be exchanged for currency).”*

**The GLC’s official notice.** On September 16, 2026, the GLC sent this notice to every COAM license holder:

*“COAM gift cards cannot be used to obtain cash in any manner, whether in whole or in part, and COAM locations may not provide cash back or otherwise facilitate converting the value of a COAM gift card into currency.”*

## WHAT CAN A PLAYER DO WITH A COAM GIFT CARD?

### YES — BUY THINGS

- ✓ Goods in your store
- ✓ Gas
- ✓ Lottery tickets
- ✓ Purchases at other stores
- ✓ **Alcohol & tobacco\***



*Loaded only  
with winnings,  
on premises*

### NO — NEVER CASH

- ✗ ATM withdrawals
- ✗ Cash back or change
- ✗ Store buying back the card
- ✗ Money orders
- ✗ Cash apps or bank transfers

*\*Only where the sale is otherwise legal; age and license rules still apply.*

*Sources: O.C.G.A. § 50-27-71.1(b)–(c); GLC Notice to COAM License Holders (Sept. 16, 2026)*

### Q: Can my cashier give cash back or change on a COAM gift card?

**ANSWER: No.** Not even a few dollars.

Your store may accept the card as payment for goods, but the law forbids exchanging it for “cash, change, or currency.” § 50-27-71.1(b). If a purchase costs less than the card balance, the rest stays on the card. Never give cash back, and never buy a card back from a player for any price.

**Q: Our card company relied on the GLC's November 2025 letter. Are we safe?**

**ANSWER: No.** That letter will not protect you.

Mr. Kim wrote that the earlier letter “cannot be interpreted as allowing COAM gift cards to be exchanged for currency,” and that “nothing in my November 19 letter could be a defense to such law enforcement action.” Ask your card company to confirm in writing that its cards block ATM withdrawals, cash back, money orders, and transfers to cash apps or bank accounts.

**Q: Can a player buy alcohol or tobacco with a COAM gift card?**

**ANSWER: Yes,** as long as the sale is otherwise legal.

**Old rule:** COAM prizes could not be used for alcohol, tobacco, or firearms. § 16-12-35(i). **New rule:** HB 353 changed this for gift cards. “Notwithstanding Code Section 16-12-35,” a gift card may be used for “any goods or services which a successful player is entitled or permitted by law to purchase.” § 50-27-71.1(c)(1).

**What the GLC says:** Mr. Kim’s letter does not mention alcohol or tobacco by name, but he wrote: “I stand by the position that GLC cannot create additional restrictions (other than those in statute).” The GLC’s notice adds that players “may continue to use COAM gift cards to purchase lawful goods and services.” **Keep in mind:** age and ID laws still apply; never trade COAM credits directly for alcohol or tobacco (load a gift card first); and some card companies block these purchases.

**Q: Do I have to accept COAM gift cards that players won at other stores?**

**ANSWER: Not under COAM law,** but your card network contract may require it.

The COAM statute says a card “may be honored” by a store. It does not require any store to accept one. However, many COAM gift cards run on the Visa or Mastercard networks. If your store accepts those networks, your merchant agreement may require you to accept these cards too. Check with your payment processor.

**YOUR TO-DO LIST**

- ☐ Get written confirmation that your gift cards cannot be used for cash.
- ☐ Make sure no kiosk in your store pays out cash or sends money to a bank account.
- ☐ Train cashiers: no cash back, no change, and no card buy-backs.
- ☐ Keep your redemption records and card company paperwork.
- ☐ Watch for the GLC’s updated COAM rules; ARA will keep you posted.

*This newsletter is provided by Jaffer Law, PC for general information to members of the Atlanta Retailers Association. It is not legal advice and does not create an attorney-client relationship. Questions may be directed to David Jaffer, Jaffer Law, PC.*

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