

Maine Grocers &
Food Producers
Association
PO Box 5234
Augusta, ME 04332
207.622.4461
info@mgfpa.org



Retail Association of Maine
45 Melville Street, Suite 1
Augusta, ME 04330
Tel: 207.623.1149 | Mobile:
207.240.7377
curtis@retailmaine.org
www.retailmaine.org

April 30, 2025

Senator Pinny Beebe Center, Chair
Representative Tavis Hasenfus, Chair
Members of the Criminal Justice and Public Safety Committee

Curtis
Picard

RE: Testimony in SUPPORT of LD 1773, An Act to Criminalize Certain Offenses Related to Gift Card Thefts

Dear Senator Beebe-Center, Representative Hasenfus and members of the Criminal Justice and Public Safety Committee:

The Maine Grocers & Food Producers Association and the Retail Association of Maine are providing joint testimony in support of LD 1773, An Act to Criminalize Certain Offenses Related to Gift Card Thefts. Our business trade associations represent Main Street businesses including independently owned and operated grocery stores and supermarkets, general merchandise and specialty retailers, convenience stores, distributors, food and beverage manufacturers, and supporting partners — together representing more than 450 members statewide. Maine's retail sector employs more than 85,000 Mainers. Thank you to Senator Harrington, and the co-sponsors for supporting this proposal. In January, we hosted a legislative breakfast to discuss this issue in depth, and we appreciate the legislators that were able to join us. We also worked closely with Ms. Burns at the Maine Prosecutors Association on the language before you, and I believe she is submitting supportive testimony as well.

Retailers across Maine are facing a sharp rise in organized retail crime, with gift card fraud emerging as one of the most damaging tactics in these evolving criminal operations. From small downtown shops to large chain stores, our members are experiencing the impact of these schemes firsthand—and it's hitting both businesses and consumers hard.

Here's how it works: criminal groups steal inactive gift cards, tamper with them, and place them back on shelves without detection. When an unsuspecting customer buys and activates one of these cards, the funds are drained—often within minutes—often by actors operating outside the U.S., long before the recipient ever has a chance to use it. Retailers are left managing the fallout: frustrated customers, refund demands, and unrecoverable losses. An infographic attached to this testimony illustrates how this scheme plays out.

Gift cards are a staple of modern retail—they're simple, secure, and widely used by Mainers to shop and give. But right now, that trust is being undermined. Retailers have implemented their own fraud prevention measures, but they need stronger tools to push back against the growing sophistication of these crimes.

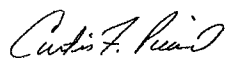
LD 1773 offers those tools. Developed in coordination with the Blackhawk Network, the Department of Homeland Security's Project Red Hook, and other stakeholders, this bill gives law enforcement and businesses a better framework to identify, prevent, and prosecute gift card fraud.

Maine is not immune to this crime. Groups travel up and down the I-95 corridor hitting multiple states quickly, Maine's proximity to New Hampshire's make us a target as well. Why? Because New Hampshire lacks a sales tax, and these groups often redeem the illicitly obtained gift cards are to buy goods that are then trafficked and resold – and they get to save the sales tax! Attached to my testimony is a very recent case in New Hampshire directly tied to this crime.

LD 1773 takes a proactive stance, helping to close that loophole and protect the integrity of our retail economy.

Retailers are committed to preserving a safe, and fair shopping experience for everyone. We respectfully urge the committee to vote LD 1773 as Ought to Pass.

Thank you for your consideration. I welcome any questions.



Curtis Picard, President & CEO,
Retail Association of Maine
45 Melville St., Augusta, ME 04330
curtis@retailmaine.org | 207-623-1149



Christine Cummings, Executive Director,
Maine Grocers & Food Producers Association
PO Box 5234, Augusta, ME 04332
christine@mgfpa.org | 207-622-4461

ORGANIZED CRIME RINGS ARE TAMPERING WITH GIFT CARDS



**GIFT CARD
FRAUD**
PREVENTION ALLIANCE

Law Enforcement Needs the Tools to Protect Consumers

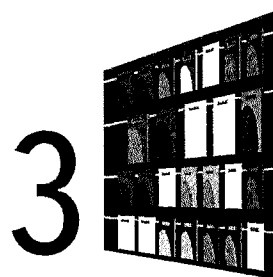
HOW FRAUDSTERS TAMPER WITH GIFT CARDS



1 STEAL inactive gift cards from retail stores



2 TAMPER with gift card packaging to obtain card number and pin



3 RETURN tampered gift cards to retail store racks



4 DETECT through sophisticated methods when the consumer has purchased the gift card



5 DRAIN funds from the stolen gift card by purchasing merchandise that is later sold on the secondary market or returned for profit

HOW INDUSTRY IS PROTECTING CONSUMERS



STATE AND FEDERAL LAW ENFORCEMENT PARTNERSHIPS



ADVANCED DETECTION TECHNOLOGY



EMPLOYEE TRAINING



PUBLIC EDUCATION



INNOVATION AND SECURITY



ENCOURAGEMENT OF CONSUMER REPORTING TO LAW ENFORCEMENT

LAWMAKERS SHOULD PROTECT CONSUMERS BY

Criminalizing Gift Card Tampering

- ✓ Acknowledge that current laws are insufficient
- ✓ Pass legislation to classify gift card tampering as a forgery or theft crime
- ✓ Ensure law enforcement has the authority to prosecute crimes
- ✓ Fund law enforcement training to recognize and combat gift card tampering

Join us in the fight to stop gift card fraud and pass legislation today.



PRESS RELEASE

Chinese Nationals Sentenced to Federal Prison for Participating in a Fraudulent Gift Card Conspiracy Involving the Purchase and Export of Apple Products to China

Tuesday, April 22, 2025

For Immediate Release

U.S. Attorney's Office, District of New Hampshire

CONCORD – Three Chinese nationals were sentenced in federal court for their roles in a sophisticated Chinese gift card fraud conspiracy, Acting U.S. Attorney Jay McCormack announces.

Naxin Wu, 26, a Chinese national unlawfully residing in Nashua, was sentenced by Chief Judge Landya B. McCafferty to 33 months in prison and one year of supervised release. Mengying Jiang, 34, a Chinese national residing in Nashua, was sentenced by Chief Judge McCafferty to 60 months in prison and one year of supervised release. Mingdong Chen, 28, a Chinese national unlawfully residing in Brooklyn, New York, was sentenced by Judge Joseph N. Laplante to 24 months in prison and one year of supervised release. Earlier this year, the defendants each pleaded guilty to Conspiracy to Commit Wire Fraud. All three defendants face deportation to China after completing their sentences.

"The defendants played a critical role in laundering proceeds of romance and other online scams by purchasing the stolen gift cards and using them to purchase Apple products," said Acting U.S. Attorney McCormack. "While they may not have committed the initial fraud, the defendants' actions helped convert stolen funds into tangible goods, enabling a large-scale financial crimes conspiracy. We remain committed to dismantling every link in the fraud supply chain."

"These individuals were part of a Chinese transnational criminal organization that used a complex scheme to steal and launder millions of dollars through gift card theft. After a sophisticated criminal investigation with our partners, their scheme was uncovered and their crimes brought to light. Now, they'll serve federal prison sentences and face deportation back to China," said Special Agent in Charge of Homeland Security Investigations New England Michael J. Krol.

"The sentences imposed in New Hampshire emphasize the expansive reach of the U.S. Postal Inspection Service when it comes to dismantling criminal organizations. Anytime a criminal uses the U.S. Mail to further their illegal activity, postal inspectors will be there to bring them to justice. I'd like to thank our law enforcement partners involved in this case who, together with postal inspectors, brought these defendants to justice. This collaboration and dedication from law enforcement professionals plays a vital role in protecting the integrity of our communities from those who seek to exploit vulnerable Americans for personal gain," said Ketty Larco-Ward, Inspector in Charge, U.S. Postal Inspection Service – Boston Division.

"IRS – Criminal Investigations is committed to identifying, preventing, and disrupting all illicit activity perpetrated by transnational criminal organizations, no matter where they hide," said Thomas Demeo, Acting Special Agent in Charge of the Internal Revenue Service Criminal Investigation, Boston Field Office. "The defendants acted as an integral cog of this international scheme by monetizing the ill-gotten gains obtained by Chinese hackers and scammers that victimized U.S. businesses and the citizens of the

United States. IRS-CI is committed to our continued collaboration with our law enforcement partners, both at home and abroad, to stop and deter anyone who seeks to profit off the hard work of U.S. citizens.”

According to court documents, organized criminal elements in China acquired well over \$100 million in gift cards through multiple fraudulent means. For example, gift card data is obtained by hacking U.S. companies, tampering with physical gift cards, and targeting U.S. citizens through romance and elder fraud schemes. The criminal elements then send the gift card data to multiple cells of Chinese nationals operating in the United States through a Chinese-based messaging platform in exchange for cryptocurrency.

Once U.S.-based cells receive the gift card data, they then spend the gift cards to purchase high-value electronics, principally Apple products. After purchasing the Apple products, cell members consolidate the electronics in warehouses for shipment to China, Hong Kong, or countries in Southeast Asia. The cells primarily operate in states with no sales tax, such as New Hampshire, to maximize their profits.

Wu, Jiang, and Chen were members of one cell in New Hampshire. Wu and Jiang purchased fraudulent gift cards at a discount from their face value. They then either personally used the cards or disseminated them to others, including Chen, to use. Wu was responsible for \$1.4 million, Jiang for \$3 million, and Chen for \$400,000 of fraudulent gift cards.

Homeland Security Investigations, Internal Revenue Service’s Criminal Investigations, the U.S. Postal Inspection Service, and the Concord Police Department led the investigation. The Merrimack County Attorney’s Office provided valuable assistance. Assistant U.S. Attorney Alexander S. Chen prosecuted the case.

This effort is part of Operation Take Back America, a nationwide initiative that marshals the full resources of the Department of Justice to repel the invasion of illegal immigration, achieve the total elimination of cartels and transnational criminal organizations (TCOs), and protect our communities from the perpetrators of violent crime. Operation Take Back America streamlines efforts and resources from the Department’s Organized Crime Drug Enforcement Task Forces (OCDETFs) and Project Safe Neighborhood (PSN).

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Updated April 23, 2025

Topic

FINANCIAL FRAUD

Component

USAO - New Hampshire

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PRESS RELEASE

Public Service Announcement: Victim Identification in New Hampshire Gift Card Scheme