
Finance Committee

HB 1127

Brief Description: Modifying provisions of the revised uniform unclaimed property act.

Sponsors: Representatives Walen, Reeves, Simmons and Hill; by request of Department of Revenue.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Makes various changes to the Revised Uniform Unclaimed Property Act.

Hearing Date: 2/11/25

Staff: Kristina King (786-7190).

Background:

Unclaimed Property.

Unclaimed property (UCP) is money or intangible property owed to an individual or business. Property is considered unclaimed after it has been held for a period of time, known as an abandonment period, with no owner contact, and a good faith effort has been made to locate the owner. The dormancy period is generally three years with some exceptions. Once the dormancy period has passed, the UCP is turned over to the state to safeguard until it is returned to the owner. Typically, the UCP includes bank accounts, insurance proceeds, securities, utility and phone company deposits, uncashed checks, safety deposit box or bank repository contents, and customer or patient credits. UCP does not include real estate, vehicles, and most other physical property.

The Department of Revenue (DOR) oversees unclaimed property and administers the unclaimed property program to seek the rightful owners. Banks, retailers, credit unions, utilities, corporations, insurance companies, and government entities are some of the many sources of

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

unclaimed property. These businesses, and others, report unclaimed property annually by October 31 and are typically referred to as "holders". Holders of the UCP are required to give an apparent owner a due diligence notification that property may be presumed to be abandoned if the property value is more than \$75. The notice must:

- identify the property and its value;
- advise the owner that the property may be sold by the state;
- provide instructions for how to prevent the property from being delivered to the state; and
- set forth a deadline for when action must be taken by the owner to prevent the delivery of the property to the state.

The holder is not required to include any confidential information in the notice that can be used to verify the identity of an individual. The DOR also sends due diligence notifications. Owners with presumed abandoned property between \$50 and \$74.99 receive due diligence notifications from holders but not from the DOR. Holders do not report prearrangement funeral service contract trusts.

After the required holding period, holders turn over the UCP to the state. The funds are held by the DOR in perpetuity until claimed by the rightful owner or heir. For safety deposit box contents, if the owner does not claim the items, the state must sell the contents at public auction within five years. Proceeds from each sale, less any auction and bank fees, are available for the owner to claim indefinitely. The holding period for selling items from storage facilities is six months.

Any individual or business can search DOR's UCP system for the UCP that DOR is holding in their name. If they find property in their name, the owner, heir, or claimant, including someone filing for an elder who cannot file on their own, can file with the DOR to reclaim the property.

Beginning January 1, 2023, the Uniform Unclaimed Property Act was replaced with the Revised Uniform Unclaimed Property Act.

Summary of Bill:

The following definitions, terms, abandonment periods, due dates, and administrative procedures are modified:

- excludes government agencies that provide workers' compensation insurance from the insurance company definition;
- adds the term "internal revenue code" (IRC) and defines the term as the version of the IRC in effect as of the date certain sections of the bill take effect;
- clarifies that the term "virtual currency" includes cryptocurrency;
- clarifies the abandonment period for municipal bonds held by a government entity;
- changes employee "reimbursements" from a one-year abandonment period to a three-year abandonment period;
- changes excess proceeds from the sale of self-service storage facility property from a six-month abandonment period to a one-year abandonment period;

- clarifies the abandonment period for gift certificates issued with an expiration date;
- removes a specific required minimum distribution age for individual retirement accounts to conform with current and future changes to the IRC;
- removes a specific date for determining when a stored value card is presumed abandoned
- adds language that expressly authorizes the DOR to issue refunds to holders for overpaid property, interest, and penalties and specifies the refund process;
- clarifies circumstances when a six-year or ten-year statute of limitations applies to DOR actions against a holder;
- removes the requirement that the DOR wait three years before they sell securities;
- removes the sentence allowing the DOR to sell or liquidate a security at the owner's request and pay the net proceeds to the owner; and
- clarifies and makes changes to the term, "holder."

The following reporting procedures and notification requirements for holders of unclaimed property are modified:

- lowers due diligence notification requirement for holders and the DOR to \$50;
- removes the requirement that holders must identify and explain non-freely transferrable securities in their report;
- lowers aggregate reporting amount to \$5; and
- requires holders to notify owners before ending interest payments or charging dormancy fees and provides criteria to determine if the charges are reasonable.

The following due dates and waiting periods are modified:

- clarifies when holder reports and property is due;
- removes the requirement that safe deposit box holders must wait 180 days from the report date to deliver safe deposit box contents;
- requires holders to liquidate abandoned virtual currency before reporting it as abandoned property;
- removes the requirement that the DOR must notify a holder 60 days before assigning a third-party auditor to conduct an examination and demand that the holder submit a report and deliver abandoned property; and
- removes the 24-month waiting period restriction concerning locator agreements.

Other included provisions:

- clarifies treatment of prearrangement funeral service contract trusts;
- provides that locator agreements are unenforceable if the locator fee exceeds 5 percent;
- makes correspondence from the DOR to holders on past, current, pending, and potential audits subject to confidentiality and security laws; and
- removes a duplicate annual report requirement for the DOR.

Except for the due diligence notification requirements, certain holder report requirements, and the treatment of prearrangement funeral service contract trusts, the various modifications to the Revised Uniform Unclaimed Property Act clarify language to align with the DOR's current administration of the program.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains multiple effective dates. Please see the bill.