

# HOUSE BILL REPORT

## HB 1127

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to modifying provisions of the revised uniform unclaimed property act by clarifying the abandonment period and reporting procedures for prearrangement funeral service contracts trusts, modifying holder reporting requirements, modifying owner notification requirements, and making other changes not estimated to impact revenue.

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

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

**Brief History:**

**Committee Activity:**

Finance: 2/11/25, 2/18/25 [DPS].

**Brief Summary of Substitute Bill**

- Makes various changes to the Revised Uniform Unclaimed Property Act.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Abell, Chase, Mena, Parshley, Penner, Ramel, Santos, Scott, Springer, Walen and Wylie.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Jacobsen, Assistant Ranking Minority Member.

**Staff:** Kristina King (786-7190).

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*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.*

## **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, UCP is turned over to the state to safeguard until it is returned to the owner. Typically, 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. Unclaimed property does not include real estate, vehicles, and most other physical property.

The Department of Revenue (DOR) oversees UCP and administers the UCP program to seek the rightful owners. Banks, retailers, credit unions, utilities, corporations, insurance companies, and government entities are some of the many sources of UCP. These businesses, and others, report UCP annually by October 31 and are typically referred to as "holders." Holders of 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 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 the DOR's UCP system for UCP that the 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 (RUUPA).

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### **Summary of Substitute Bill:**

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

- exclude government agencies that provide workers' compensation insurance from the insurance company definition;
- add the term "internal revenue code" (IRC) and define the term as the version of the IRC in effect as of the date certain sections of the bill take effect;
- clarify that the term "virtual currency" includes cryptocurrency;
- clarify the abandonment period for municipal bonds held by a government entity;
- change employee "reimbursements" from a one-year abandonment period to a three-year abandonment period;
- change excess proceeds from the sale of self-service storage facility property from a six-month abandonment period to a one-year abandonment period;
- remove a specific required minimum distribution age for individual retirement accounts to conform with current and future changes to the IRC;
- remove a specific date for determining when a stored value card is presumed abandoned
- add language that expressly authorizes the DOR to issue refunds to holders for overpaid property, interest, and penalties and specifies the refund process;
- clarify circumstances when a 6-year or 10-year statute of limitations applies to DOR actions against a holder;
- remove the requirement that the DOR wait three years before they sell securities;
- remove 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
- clarify and make changes to the term, "holder."

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

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

The following due dates and waiting periods are modified to:

- clarify when holder reports and property is due;
- remove the requirement that safe deposit box holders must wait 180 days from the

- report date to deliver safe deposit box contents;
- require holders to liquidate abandoned virtual currency before reporting it as abandoned property;
- remove 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
- remove the 24-month waiting period restriction concerning locator agreements.

Other included provisions:

- clarify the treatment of prearrangement funeral service contract trusts;
- provide that locator agreements are unenforceable if the locator fee exceeds 5 percent;
- make correspondence from the DOR to holders on past, current, pending, and potential audits subject to confidentiality and security laws; and
- remove 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.

### **Substitute Bill Compared to Original Bill:**

The substitute bill includes the following changes requested by the DOR to:

- remove language that specifies who the apparent owner is concerning abandoned prearrangement funeral services to align with the existing definition in the Revised Code of Washington (RCW);
- reorder placement of wording and add clarification under the definition of "prearrangement funeral service contract" to align with definitions found elsewhere in the RCW;
- remove language regarding when gift cards issued with an expiration date are presumed abandoned;
- add language that an owner's activity in one account with a holder is considered an indication of interest in all accounts held by the same business association or financial organization;
- remove language that provides parameters for dormancy fee charges; and
- add language that the DOR will provide safe deposit box content holders with delivery instructions.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains multiple effective dates. Please see the bill.

**Staff Summary of Public Testimony:**

(In support) The Legislature passed the RUUPA in 2022 and there was a trailer bill passed last year that began the cleanup process. This bill is the result of 18 months of work by the DOR for additional cleanup. Lowering the threshold from \$50 to \$5 for UCP will be helpful for Washingtonians. This is agency request legislation. The DOR administers the UCP program. This bill is a follow-up to past legislation. This ensures that the administration of the UCP program in this state is done in a manner that makes sense. This bill contains stronger consumer protection provisions. This will help put money back in people's hands. County treasurers frequently receive inquiries for UCP recovery. Treasurers are also seeing many scams by businesses claiming to help people recover their UCP, so it is important to clarify this in the legislation. There is amendatory legislation available that places limitations on businesses that help people locate unclaimed property. This amendment will be an important contribution to preventing predatory practices.

(Opposed) None.

**Persons Testifying:** Representative Amy Walen, prime sponsor; Steve Ewing, Dept. of Revenue; Jackie Brunson, Washington State Association of County Treasurers; and Jennifer Wallace, WA Association of County Officials.

**Persons Signed In To Testify But Not Testifying:** None.