

SENATE BILL REPORT

SB 5316

As Reported by Senate Committee On:
Ways & Means, February 6, 2025

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: Senators Harris, Hasegawa, Krishnadasan and Nobles; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 1/28/25, 2/06/25 [DPS].

Brief Summary of First Substitute Bill

- Clarifies the abandonment and reporting requirements for prearrangement funeral service contract trusts.
- Modifies reporting procedures and notification requirements for holders of unclaimed property.
- Provides procedures and provisions for the Department of Revenue to issue refunds to businesses for overpaid property, interest, and penalties.
- Clarifies definitions, terms, abandonment periods, due dates, and administrative procedures.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5316 be substituted therefor, and the substitute bill do pass.

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.

Signed by Senators Robinson, Chair; Stanford, Vice Chair, Operating; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Gildon, Ranking Member, Operating; Torres, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Dozier, Assistant Ranking Member, Capital; Boehnke, Braun, Cleveland, Conway, Dhingra, Hansen, Hasegawa, Kauffman, Muzzall, Pedersen, Riccelli, Saldaña, Wagoner, Warnick, Wellman and Wilson, C..

Staff: Tianyi Lan (786-7432)

Background: Unclaimed property (UCP) is monetary assets or tangible property held by an organization, generally a business, that has lost contact with the owner. Property is considered unclaimed after it has been held for a designated period of time with no activity or owner contact, and a good faith effort has been made to locate the owner. The dormancy period is generally three years except for specific time periods set by state law for certain types of property. It is then turned over to the state to safeguard until it is returned to the owner. Typical 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.

Each year, banks and other businesses turn over UCP to the state. The funds are held 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 Department of Revenue (DOR) is the custodian for UCP, and administers a UCP program to find the rightful owners. Certain entities are required to report UCP to DOR, including banking and financial institutions, utilities, businesses, and governments. These businesses—and other entities—report UCP annually by October 31, and are typically referred to as holders. Any individual or business can search DOR's UCP system for UCP that DOR is holding in their name. If they find property in their name, the owner or claimant can file to get their property back. This may include an heir or someone filing for an elder who cannot file on their own.

Holders of UCP are required to give an apparent owner 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.

Summary of Bill (First Substitute): The bill makes technical modification to clarify

definition, terms, abandonment periods, and administrative procedures for the UCP program. Changes include:

- excluding government agencies that provide workers' compensation insurance from the insurance company definition;
- adding 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;
- clarifying that the term virtual currency includes cryptocurrency;
- clarifying the abandonment period for municipal bonds held by a government entity;
- changing employee reimbursements from a one-year abandonment period to a three-year abandonment period;
- changing excess proceeds from the sale of self-service storage facility property from a six-month abandonment period to a one-year abandonment period;
- removing a specific required minimum distribution age for individual retirement accounts to conform with current and future changes to the IRC;
- removing a specific date for determining when a stored value card is presumed abandoned;
- clarifying 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;
- providing that DOR must provide safe deposit box content holders with delivery instructions;
- adding language that expressly authorizes DOR to issue refunds to holders for overpaid property, interest, and penalties and specifies the refund process;
- clarifying circumstances when a six-year or ten-year statute of limitation applies to DOR actions against a holder;
- removing the requirement that DOR wait three years before they sell securities;
- removing the sentence allowing DOR to sell or liquidate a security at the owner's request and pay the net proceeds to the owner; and
- clarifying and making changes to the term holder.

The bill also modifies reporting procedures, lowers the aggregate reporting amount to \$5, and lowers due diligence notification requirements to \$50 for holders of UCP.

The bill also clarifies treatment of prearrangement funeral service contract trusts, changes due dates, waiting periods, locator fee and confidentiality provisions, and removes an annual report requirement.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Removes language that specifies the apparent owner of abandoned prearrangement funeral to align with the definition under RCW 63.30.010.
- Removes language that makes it explicit when gift cards issued with an expiration date are presumed abandoned.

- Adds 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.
- Removes language that provides guidance and reasonable parameters for dormancy fee charges.
- Adds language that DOR must provide safe deposit box content holders with delivery instructions.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The bill is an agency request legislation as a follow-up to some past legislation from earlier years. The program staff have identified additional changes needed to make the template law comport or fit with Washington. It ensures that the Department of Revenue is able to operate the program consistently and at a high standard. The program has seen new records set each year in terms of the amount of money provided to Washington residents. The bill also provides strengthened consumer protections by lowering the threshold at which holders have to report property and strengthen the rules for businesses.

The bill address the limitation on fees for assisting with recovery of unclaimed property. County treasurers frequently receive requests from businesses for lists of people that are owed money, such as uncashed checks or excess proceeds from foreclosure sales. It was unlawful for businesses to charge more than 5 percent of the value of the property before the revised uniform unclaimed property act passed in 2022. Since removal of that provision, the treasurers have seen a notable uptick in these requests and predatory business practices, particularly aimed at senior citizens and the most vulnerable citizens. Treasurers across the state have observed unknowing citizens being charged over 30 percent for locating unclaimed property that owners can apply for themselves at no cost. It's important to reinstate the provision to protect our citizens and send a clear message that this type of predatory behavior is unacceptable. However, the current language is not adequate and does not capture language that was previously existed in statute.

Persons Testifying: PRO: Steve Ewing, Dept. of Revenue; Jackie Brunson, Washington State Association of County Treasurers; Jennifer Wallace, WA Association of County Officials.

Persons Signed In To Testify But Not Testifying: No one.