

Legislative Analysis



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UNCLAIMED PROPERTY

House Bill 4289 (Substitute H-1)

Sponsor: Rep. Leslie Mortimer

Committee: Tax Policy

First Analysis (4-12-05)

BRIEF SUMMARY: The bill would require the state treasurer to use social security numbers and tax identification numbers to locate possible owners of abandoned property.

FISCAL IMPACT: According to the Department of Treasury, there would be increased administrative costs to implement this bill. Costs resulting from House Bill 4289 will depend on the extent to which the appropriation for additional staff is increased. More information is available later under [Fiscal Information](#).

THE APPARENT PROBLEM:

The Uniform Unclaimed Property Act provides for the reversion to state custody of any unclaimed property, including money orders, travelers checks, personal checks, gift certificates, wages, bank accounts, and the contents of safe deposit boxes. Generally speaking, property that remains unclaimed or dormant for a certain number of years, as provided in the act, will be transferred to the state (that is, "escheated"). Once property is escheated, the value of the property reverts to the state's general fund, less a portion set aside to meet expected claims and related administrative expenses. Unclaimed property (or its equivalent value) is maintained by the state for property owners in perpetuity. There is no time limit in which a claim for abandoned or unclaimed property must be made; a person or his or her heirs always has the right to claim the property. According to committee testimony, the state has custody of over 5.8 million properties with a total value of \$757 million.

The act is administered by the Unclaimed Property Division of the Department of Treasury, which serves as the central depository for the all unclaimed property. Any person seeking to claim presumed abandoned or unclaimed property must contact the Unclaimed Property Division. Additionally, the department's website allows individuals to search for property held by the department and includes information on how to make a claim for unclaimed property. The website address is www.michigan.gov/treasury.

The department primarily spends its time and energy responding to the approximately 35,000 claims received each year. This is, admittedly, a reactive approach whereby the department relies on potential property owners to submit a claim. Some people believe that, given the sheer amount of unclaimed property and the fact that escheated property does not really belong to the state, the department should take a more proactive approach in locating potential owners of abandoned or unclaimed property.

THE CONTENT OF THE BILL:

The bill would amend the Uniform Unclaimed Property Act to require the state treasurer to compare the list of potential owners of unclaimed property to treasury department records containing social security numbers or tax identification numbers, beginning October 1, 2005. The state treasurer would be required to notify in writing individuals who may be owners of abandoned property and specifically request that they contact the state treasurer to ascertain if they are owners of abandoned property. The state treasurer would then be required to directly pay whatever money is due to individuals determined to be owners of abandoned property.

The bill further specifies that the additional requirements under the bill would be undertaken based on a separate line item appropriation and an increase in full time equivalent (FTE) employees specifically for those requirements.

MCL 567.239a

FISCAL INFORMATION:

According to the Department of Treasury, there would be increased administrative costs to implement this bill. Costs resulting from HB 4289 will depend on the extent to which the appropriation for additional staff is increased.

The department has conducted a test program in which the income tax file was matched with the unclaimed property file to locate missing property owners. Based on the results of this previous test program, the department estimates that to fully implement the provisions of the bill, an increase of 22 staff members would be required for the first year. The department estimates that these increased staffing costs for the first year would be \$1,584,000.

It is important to note that HB 4289 contains a provision that limits the department's activities under the bill to the amount appropriated to support these activities with an identified number of FTE employees. Thus, the costs to implement the bill are dependent upon the amount of staff appropriated in that year. If the legislature chooses to appropriate fewer FTEs, then staffing costs would be less than the estimated \$1.6 million accordingly.

Section 24 of the Uniform Unclaimed Property Act (Act 29 of 1995) directs Treasury officials to deposit all funds received under this act into the general fund after removing a portion for expected claims and administrative expenses. In FY 2003, \$57.15 million was transferred to the general fund. In FY 2004, there was an \$88.89 million transfer. If this bill allows the Department of Treasury to better identify recipients to receive their monetary property quicker by actively seeking the owners, then it could reduce the amount of money the Escheats program transfers to the general fund. This reduction would be dependent upon how much additional staffing was funded and the extent to which taxpayers respond to their written notification from the Department of Treasury.

ARGUMENTS:

For:

The Department of Treasury should take a more proactive approach in locating individuals who may be owners of presumably abandoned or unclaimed property; accordingly, the bill would require the department to use social security numbers and tax identification numbers and notify individuals appearing to be owners of such property. Now, the department generally does not seek out potential property owners; it only responds to inquiries. Escheated property does not belong to the state, and the state should make every effort to locate property owners. [It should be noted that a preliminary test comparing income tax records and information on unclaimed property yielded 70,000 possible matches, a figure that is approximately double the number of unclaimed property claims fielded by the department each year.]

The bill also contains an important provision that limits the department's activities under bill, based on a separate line item appropriation and an increase in the number of FTE employees specifically for those activities. The department estimated that the bill, as introduced, would have required an additional 22 FTE employees and nearly \$1.6 million. Given the state's difficult budget situation, such a significant increase in spending would have been difficult to justify, particularly as other activities of the state face the prospect of more funding cuts or outright elimination. The funding provisions contained in the bill better ensure that the department is able to comply with the bill in actively seeking out owners of unclaimed property.

POSITIONS:

There are no positions at present.

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