

HB

434

Alaska State Legislature



*Waived
3-26-96*

House of Representatives House Judiciary Committee

State Capitol, Room 120
Juneau, Alaska 99801-1182
(907) 465-4990

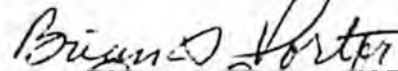
March 26, 1996

TO: House Judiciary Committee members

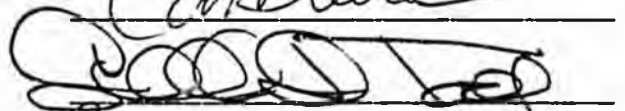
FROM: Tom Meyer 

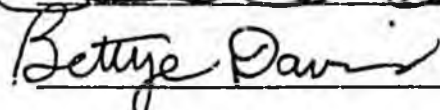
RE: Request for waiver of CSHB 434 (L & C) through committee

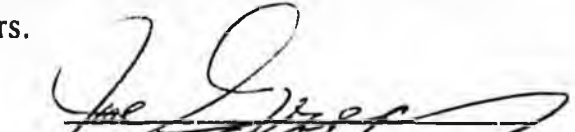
Chairman Porter asks that committee members consider waiving the above bill through the committee. CSHB 434 (L & C) amends the unclaimed property provisions. It will facilitate paperwork reduction and simplify property disposal. It received 6 DP's and 1 NR in L & C and 5 DP's in State Affairs.

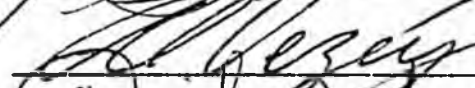


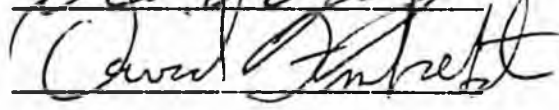












STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

March 26, 1996

P.O. BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
FACSIMILE: (907) 465-2389

The Honorable Brian Porter
Alaska State Legislature
House Judiciary Committee
State Capitol, Room 120
Juneau, Alaska 99801

RE: CSHB 434(L&C), Unclaimed Property

Dear Representative Porter:

CSHB 434(L&C) , would update the statutes for Unclaimed Property Program (UCP). This bill has been referred to your committee after passing out (with minor amendments) of the State Affairs and Labor & Commerce committees with eleven "do pass" recommendations (and 1 NR). I am writing to ask that you schedule this legislation for a hearing in your committee.

Under this program the state acts as a perpetual custodian of abandoned personal property. Examples of abandoned property include money left in bank savings accounts or deposits left with utility companies and the business cannot locate the owner. Thus property becomes abandoned or unclaimed. The purpose of the act is to protect, safeguard and account for property until it is claimed by the owner. When an owner or heir comes forward, the state must surrender either the property in its original form or the proceeds from its sale. The proposed changes would streamline the process for both businesses and the state.

I am forwarding the following information to support the legislation:

- Updated fiscal note.
- Updated sectional analysis.
- Issue paper explaining the program and merit for changes.
- 4 letters from various business organizations supporting the legislation.

CSHB 434 (L&C) is the product of extensive work by employees of our department, auditors from the Office of Management and Budget, two House committees and the National Conference of Commissioners on Uniform State Laws. I look forward to working with you and request that you and your committee give this your prompt attention.

Thank you for your consideration.

Sincerely,


Wilson L. Condon
Commissioner

96-032

Revision Date: _____ Dept. Affected: Revenue
 Title: Unclaimed Property BRU: Audit Operations
 Component: Income and Excise Audit
 Sponsor: (H) kLS
 Requestor: (H) JUD COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact to the department's operations in implementing this legislation. The proposed changes should reduce the administrative work required for private businesses (holders of unclaimed property) and the department to comply with the Unclaimed Property Program statute. The entire program is accomplished using three employees. The operational efficiencies gained will allow more time to be spent in locating owners of abandoned property versus unnecessary recordkeeping.

Prepared by: Paul E. Dick Phone: 465-2320
 Division: Income and Excise Audit Date: March 26, 1996
 Approved by Commissioner: Wilson L. Condon *Paul A. Kenney* Date: March 26, 1996
 Agency: Department of Revenue

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DEPARTMENT OF REVENUE
INCOME & EXCISE AUDIT DIVISION

CSHB 434(L&C)
Unclaimed Property Act Amendments
9-GH2025\F
March 26, 1996
Page 1 of 2

Amendments in this bill reflect changes to statutes recommended in an OMB audit completed last fall. The changes are intended to streamline administration of the unclaimed property program for both businesses and the state. The bill will also facilitate holders (i.e. banks, insurance companies, utility companies, etc.) in complying with unclaimed property reporting and remittance requirements.

Section 1 amends AS 34.45.200(e) to clarify that mutual funds and automatic reinvestment accounts are included in the scope of unclaimed property. Property would be deemed unclaimed after seven years from the date of last communication from an owner or from the date that mail addressed to an owner was returned as undeliverable.

Section 2 amends AS 34.45.280(b) by increasing aggregate reporting to \$100 for all holders (from \$50 to \$100 for life insurance companies and from \$25 to \$100 for all other companies). Holders may report property items valued under the reporting limit in the aggregate and are not required to report individual detail.

Section 3 amends AS 34.45.280(d) to provide for a universal filing due date of November 1 for reporting all unclaimed property. This section would change the filing due date for insurance companies (currently May 1) to conform with the due date for all other companies (November 1).

Section 4 amends AS 34.45.280(e) by increasing the minimum property value for which holders are required to send written notice to owners prior to reporting with the state. The minimum value would increase from \$50 to \$100, consistent with the increased aggregate amount in section 2 and 7.

Section 5 amends AS 34.45.310(a) to establish a universal date of June 30 for publication of unclaimed property owners reported to the state during the previous year. Current statutes require that the state publish owner names and information from insurance company reports by September 1 and from all other holder reports by March 1. The National Conference of Commissioners on Uniform State Laws have adopted a similar change.

Section 6 amends AS 34.45.310(b) by repealing requirements to publish owner's last known address. In accord with the amendment in section 8, which requires that holders report and remit property simultaneously (report/remit), this section repeals provisions for the owner to petition holders for unclaimed property. Report/remit eliminates the necessity for owners to correspond with both the department and holder to claim property.

Section 7 amends AS 34.45.310(c) by increasing the value of items for which the department is required to publish an owner's name. The value would increase from \$50 to \$100, consistent with aggregate reporting in section 2 and 4.

Section 8 amends AS 34.45.320(a) by requiring holders to report and remit property simultaneously (report/remit). Under report/remit, property is immediately available to owners from the state, thereby eliminating correspondence with the holder to claim property.

Section 9 repeals and reenacts AS 34.45.700 to clearly define an owner's rights when entering into an agreement with fee finders (persons who locate unclaimed property owners and assist them in claiming property). This section provides that an agreement would be unenforceable if made prior to the date payment or delivery is made to the state or within 24 months after the payment or delivery is made to the state. Agreements would be enforceable only if in writing and the fee or compensation is not more than 20% of the value of property under \$500 and not more than 10% if the value of the property is \$500 or more. This sections requires that pertinent information relating to the agreement be disclosed in the agreement.

Section 10 amends AS 34.45.760(3) to define "business association" in conformity with the National Uniform Unclaimed Property Act.

Section 11 amends AS 34.45.760(10) to include warrants into the definition of "intangible property".

Section 12 repeals AS 34.45.310(d) which requires that a notice be mailed by the department to the owner's last known address. This would eliminate a duplicate notice as holders are required to contact owners prior to reporting to the department under AS 34.45.280(e). This section repeals AS 34.45.310(e) which specifies items to be included in the notice. This section repeals AS 34.45.320(c) which requires that accounts reported in the aggregate (\$50 for life insurance and \$25 for others) be delivered when the report is filed. Requirements under this subsection would be replaced by amendments in section 8.

Section 13 provides that the act take effect July 1, 1996.

**ALASKA DEPARTMENT OF REVENUE
INCOME AND EXCISE AUDIT DIVISION
March 12, 1996**

Issue Paper for CSHB 434, Unclaimed Property Act

MERITS FOR AMENDING UNCLAIMED PROPERTY Program ACT (UCP,) AS 34.45.

OVERVIEW

Under this program the state acts as a perpetual custodian of abandoned personal property. Examples of abandoned property include money left in bank savings accounts or deposits left with utility companies and the business cannot locate the owner. Thus property becomes abandoned or unclaimed. The purpose of the act is to protect, safeguard and account for property until it is claimed by the owner. When an owner or heir comes forward, the state must surrender either the property in its original form or the proceeds from its sale.

Financially the program costs approximately \$185,000 annually (3 full time employees) and deposits into the general fund range between \$1.5 and \$2.0 million. Over the past three years over three thousand people have been located by UCP staff and had their property returned.

NEED FOR CHANGE

Changes are needed so we can reduce the administrative paper work required to operate the program and increase the efforts to locate owners and additional unclaimed property. In relation to this the Office of Management and Budget (OMB) completed an audit in October 1995 and working together with UCP staff developed the following recommended changes in UCP statutes.

- Income & Excise Audit Division require holders to report once annually and to remit the abandoned property to the state at the same time. Current law requires remittance subsequent to reporting.
- Require all holders to report unclaimed property to the state on the same date. Two different time periods are used now and one date would be more efficient.
- Raise the level of property value below which aggregate holder reporting is allowed. Also increase the property value required for individual notification. All values would be set consistently at \$100 throughout the UCP statutes. This would reduce paperwork for businesses and the state and prevent us from paying more to return property than it is worth.
- Adopt the draft language proposed by the National Conference of Commissioners of Uniform State Laws as it relates to the reporting requirements of mutual fund companies.
- Changes notification requirements to eliminate duplicate mail notices.
- Require the publishing of property owners' names only after the property in the state's custody.

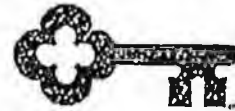
Need for Change, continued

Income and Excise Audit also recommends the following change:

- Require heirs to identify in writing the nature and value of property and fee charged for information leading to the location of the property. Also allows a contract to be valid for six months and compensation percentages to have a maximum value.

RECOMMENDATION

These statutory changes are needed in order to more efficiently and effectively administer the program. Statutory dual reporting by the holder and dual processing by the state will be eliminated. Funds will be received at the time of reporting eliminating duplicate posting and reconciling. More efforts can be applied to locating owners as well as holder education and compliance. These changes will benefit firms and entities (i.e. banks, insurance companies and utilities) reporting unclaimed property, the State of Alaska and Alaska's unclaimed property owners. Efforts to locate the rightful owners can be increased.



February 23, 1995

KeyBank
Post Office Box 100420
Anchorage, AK., 99510-0420

Rachel Marshall
State of Alaska
Unclaimed Property Section
P.O. Box 110420
Juneau, AK 99811-0420

Via FAX

(907) 562-6100

Dear Rachel:

Key Bank of Alaska has review the proposed changes to the Unclaimed Property Act AS 34.45.

*Aggregating accounts with balances less than \$100 will streamline the paperwork.

*Key Bank currently pays and delivers all property shown on the report by November 1st each year. This eliminates having to go through the process again for May. It also eliminates the confusion of determining who has the property when the names are published in the paper.

*Key Bank agrees that there needs to be rules for heirfinders. Customers are harassed at times by these people and then realize very little gain. It also causes problems when the Bank is trying to locate the customer to return the property at the same time the heirfinder is trying to engage them in a contract.

The proposed changes appear to reduce paperwork and streamline the process of escheating abandoned property. Key Bank supports these recommendations.

Sincerely,

Jennifer Ferguson
Assistant Vice President
Bank Operations

America's Best Choice



CHUGACH ELECTRIC

ASSOCIATION, INC.

February 28, 1996

Ms. Rachael E. Marshall
Administrator
State of Alaska
Department of Revenue
Unclaimed Property Section
P.O. Box 110420
Juneau, AK 99811-0420

Via fax 907-465-2375

Dear Rachael:

I have reviewed the proposed unclaimed property statute changes as you requested. I apologize for the tardiness of my reply - Chugach is in the process of closing its books for the year and also in the middle of its annual audit.

Overall, I found that the proposed changes simplify reporting requirements for entities such as ours. Raising the value of the property to be reported from \$25 to \$100 will significantly reduce our paperwork, and thus make the filing easier.

Section 8 (a) requires payment of unclaimed property at the time of filing the report which I believe is what Chugach Electric has historically done anyway, so I am in agreement with that change as well.

Thank you for the opportunity to review these proposed changes.

Sincerely,

A handwritten signature in black ink that reads "Jody Wolfe". The signature is written in a cursive style.

Jody Wolfe
Accounting Manager

JW/r
Jody@CHUGACH.COM

State Farm Insurance Companies



One State Farm Plaza
Bloomington, IL 61710-0001

Thomas M. Deighan
Counsel
(309) 766-2850
Telecopy (309) 766-5594 or
766-1919

February 23, 1996

Ms. Rachel E. Marshall
Department of Revenue
Unclaimed Property Division
P.O. Box 110420
Juneau, AK 99811-0420

Re: Alaska Unclaimed Property Act

Dear Ms. Rachel:

This letter is to confirm that State Farm Mutual Automobile Insurance Company supports the proposed amendments to the Alaska Unclaimed Property Law.

Raising the aggregate limit, raising the property value limit for mail notice, and requiring all holders to report and pay on November 1 would significantly reduce the burden of complying with the terms of the Act.

Sincerely,

Thomas M. Deighan



Trial Courts

State of Alaska

THIRD JUDICIAL DISTRICT
303 K STREET
ANCHORAGE, ALASKA
99501

February 26, 1996

OFFICE OF THE CLERK

Rachael E. Marshall, Administrator
Unclaimed Property Section
P O Box 110420
Juneau, AK 99811

Dear Ms. Marshall:

In a recent letter received from you, I was asked to give my thoughts on the proposed changes in legislation for unclaimed property. For the past two years, the court system has submitted reports and funds to the Unclaimed Property Section by November 1st. Previously, the process was completed in three steps; reports submitted by November 1st, research and issuance of checks to customer after publication, and any unclaimed funds submitted by May 1st.

Using the previous process, customers were directed by the publication to contact the Unclaimed Property Section for instructions. The customer was then referred to the appropriate court for disbursement of funds. The court issued checks only after research and proper verification. This process confused customers, thus conveying the appearance of poor customer service.

Transferring funds to the Unclaimed Property Section with the reports has decreased clerical workload, increased efficiency and promoted good customer service. I support the proposed changes in legislation.

If anything further is needed, please contact me at 907-264-0465.

Sincerely,

Cathy Franklin,
Supervisor, Trial Court Accounting