

**HB**

**434**

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

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January 30, 1996

The Honorable Jeannette James  
Alaska State Legislature  
House State Affairs Committee  
State Capitol, Room 102  
Juneau, AK 99801-1182

RE: House Bill 434, Unclaimed Property

Dear Representative James:

HB 434, would update the statutes for the Unclaimed Property Program. This bill has its first referral in your committee and I am writing to ask that you schedule the legislation for a hearing.

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.

HB 434 is the product of extensive work by employees of our department, auditors from the Office of Management and Budget 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

96-011

## Proposed Amendments to HB 434, Unclaimed Property Act

changes to version  
9-GH2025.A  
February 23, 1996

\* **Section 1.** AS 34.45.200(e) is amended to read:

(e) Stock [THIS SECTION DOES NOT APPLY TO A STOCK] or other intangible ownership interest enrolled in a plan that provides for the automatic reinvestment of dividends, distributions, or other money payable as a result of the interest [,UNLESS THE RECORDS AVAILABLE TO THE ADMINISTRATOR OF THE PLAN SHOW, WITH RESPECT TO ANOTHER INTANGIBLE OWNERSHIP INTEREST NOT ENROLLED IN THE REINVESTMENT PLAN, THAT] is **presumed abandoned** if the owner has not [within seven years] communicated in a manner described in (a) of this section **or within seven years after:**

(1) **the date of the second mailing of a statement of account or other notification or communication that was returned undeliverable; or**

(2) **the holder discontinued mailings, notifications, or communications to the apparent owner.**

\* **Section 5.** AS 34.45.310(a) is amended to read:

(a) The department shall publish a notice not later than the **June 30** [MARCH 1] following the submission of the report required by AS 34.45.280 [, OR IN THE CASE OF PROPERTY REPORTED BY LIFE INSURANCE COMPANIES, NOT LATER THAN THE SEPTEMBER 1 FOLLOWING THE SUBMISSION OF THE REPORT]. The notice shall be published [AT LEAST ONCE A WEEK FOR TWO CONSECUTIVE WEEKS] in a newspaper of general circulation in the area of the state in which the last known address of a person to be named in the notice is located. If no address is listed or the address is outside the state, the notice shall be published in a newspaper of general circulation in the area in which the holder of property has its principal place of business in the state.

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\* **Section 10.** AS 34.45.760(3) and AS 34.45.760(10)(A)(i) is amended to read:

(3) "business association" means a nonpublic corporation, joint stock company, investment company, business trust, mutual fund, joint venture, limited liability company, partnership, or association for business purposes or other business entity of one [TWO} or more individuals, whether or not for profit, including a banking organization, financial organization, insurance company, or utility;

(10)(A)(i) money, checks, drafts, warrants, deposits, interest, dividends, and income;

**ALASKA DEPARTMENT OF REVENUE  
INCOME AND EXCISE AUDIT DIVISION  
February 21, 1996**

**Issue Paper for HB 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 heirsfinders 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.

TONY KNOWLES  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

HB 434  
P O Box 110001  
Juneau, Alaska 99811-0001  
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January 19, 1996

The Honorable Gail Phillips  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Speaker Phillips:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would update Alaska's law governing the handling of unclaimed property to streamline the process for the convenience of both the state and the property holders.

Unclaimed, or abandoned, personal property includes money left in bank savings or insurance accounts or deposits left with utilities because the businesses cannot locate the owners. The state acts as the custodian for such property and protects it until an owner or heir claims it. This bill includes recommendations from an audit performed last year that would reduce paperwork and improve efforts to locate unclaimed property owners.

Under this bill, mutual funds would be defined in unclaimed property statutes, allowing for reporting and payment to the state of unclaimed interests in mutual funds. This bill also requires that all unclaimed property holders report to the state at the same time. This will eliminate duplicate reports and provide for payment of unclaimed interests at the time the report is made. The value of interests that can be reported to the state without complete detail is raised from \$25 and \$50 to a uniform \$100. This will mean less paperwork and administrative overhead for unclaimed property holders.

The bill also puts a statutory limit on the amount of finder's fee that a person can charge to search for owners of unclaimed property. There have been reports of some abuses nationwide of finder's fees being charged at up to 50 percent of the value of the property, even when the person was easy to locate. This bill would protect Alaskans claiming property abandonment in this state by limiting these fees to 10 percent of the value of the property.

In addition, this bill places restrictions on agreements between owners of unclaimed property and their finders, in order to protect the property owners and the state. An agreement would be void if it does not disclose the value of the property involved or if the agreement was reached before the state has held the property for at least two years.

This bill represents an important step forward to update Alaska's unclaimed property laws. I urge your support.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Knowles". The signature is fluid and cursive, with a large initial "T" and "K".

Tony Knowles  
Governor

*Sectional*  
DEPARTMENT OF REVENUE  
INCOME & EXCISE AUDIT DIVISION

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*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 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 34.45.200 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.

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**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 10% of the value of property. 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** 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 12** provides that the act take effect July 1, 1996.

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Unclaimed Property BRU: Audit Operations  
 Component: Income and Excise Audit  
 Sponsor: Rules Committee  
 Requestor: (H) STA 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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY96) cost \$ 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: Robert N. Bartholomew, Deputy Director  
 Division: Income and Excise Audit  
 Approved by Commissioner: [Signature]  
 Agency: Department of Revenue

Phone: 465-4773  
 Date: 1/31/96  
 Date: 1/31/96

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# 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*  
Thomas M. Deighan



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 First Choice