Reporting Unclaimed Property

Controller Betty T. Yee
California State Controller’s Office
Unclaimed Property Division
Today’s Topics

• Determine if You’re Holding Unclaimed Property
• Perform Due Diligence
• Holder Notice and Remit Reports (California’s two-report process)
• Interest/Penalties
• Common Reporting/Remittance Errors
• Frequently Asked Questions
Unclaimed Property in California

• History
The Unclaimed Property Program started in 1959 as part of a nationwide system to provide customer protection. The program exists to relieve businesses and financial institutions (holders) of the burden and liability of maintaining the property. In California, the State Controller’s Office (SCO) manages this program.

• Definition
Unclaimed property is generally defined as any financial asset that has been left inactive by the owner for a period of time specified by law, generally three (3) years.
Unclaimed Property in California

Examples of Unclaimed Property

- Commissions
- Ordered Refunds
- Wages
- Cashier’s Checks
- Demand Deposits (Checking)
- Dividends, Interest
- IRAs
- Keogh Plans
- Matured Time Deposits
- Safe-Deposit Boxes
- Savings Accounts

- Vendor Payments
- Checking Accounts
- Stocks and Bonds
- Written Instruments
- Money Orders
- Traveler’s Checks
- Liquidating Distributions
- Overpayments
- Pre-Payments
- Other property belonging to someone other than the business holding it
Unclaimed Property Division - **Mission**

- To **reunite** lost and abandoned property with the rightful owner.
- To **safeguard** these properties from being used by private interests for personal gain.
- **Provide a central source** for owners to locate and claim property.
- **Relieve the holders** from the expense and liability associated with the property.
- **Ensure that any economic windfalls benefit the citizens** of California.
All States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and three Canadian Provinces (Quebec, British Columbia, and Alberta) have Unclaimed Property Programs.

California Statistics for Fiscal Year 2015-16:

- **$8.4 billion** – UCP available to be claimed
- **33,524** – UCP reports submitted this report cycle
- **$735.2 million** – Cash received
- **567,257** – Number of properties paid
- **$307.6 million** – Amount of money disbursed for claims (average amount paid per property $542)
California’s Reporting Process Overview

1. Review Books and Records for Unclaimed Property
2. Perform **Holder** Due Diligence
3. Submit **Holder Notice Report**
4. Respond to Owner **Claims** Resulting from SCO Notices
5. Submit **Holder Remit Report & Remittance**
Holder Action: Where to Report

You must report to California if the last known address of the owner is:

- in California,
- in a state that does not provide by law for escheat of such property,
- in a foreign country and the holder is domiciled in California, or
- unknown and the holder is domiciled in California.
Are You Holding Unclaimed Property?

- Businesses are required to review their books and records annually to determine if they are holding unclaimed property.

- If property has remained unclaimed or in inactive accounts for the required dormancy period, it must be reported to the State (Civil Code of Procedure section 1500 et seq.).

  - **Identify Property Type and Dormancy Period**
    - Decide if property has been dormant long enough to report.

  - **Determine Date of Last Contact**
    - Determines when to complete due diligence and report.
Holder Action: Identify Property Type

- Payroll Checks (1 year dormancy)
- Accounts Payable Checks – vendor payments (3 year dormancy)
- Refunds (3 year dormancy)
- Accounts Receivable – customer credit refunds, overpayments (3 year dormancy)
- Credit Balances (3 year dormancy)
- Bank Accounts (3 year dormancy)
- Customer Overpayments (3 year dormancy)
- Insurance Proceeds (3 year dormancy)
- Money Orders (7 year dormancy)
- Traveler’s Checks (15 year dormancy)
Holder Action: Determine Date of Last Contact

The date of last contact is:

- The date that the property became payable or distributable to the owner (for example, the issue date of a check).

- The date on which the last deposit or withdrawal occurred.

This date determines when due diligence is performed and when the property is reported.
Holder Action: Determine “As Of” Date

• This is the date that defines the end of a period of time in which property is reportable.
  • Must be your fiscal year end date, the State’s fiscal year end date (June 30), or December 31 for life insurance companies.
  • Determines which properties will be reported on your Holder Notice Report.

• Must be included on the Universal Holder Face Sheet (UFS-1).
• This date must be used consistently to avoid problems with interest/penalties.
## 3-Year Dormancy - 2018 Cycle

<table>
<thead>
<tr>
<th>Fiscal Year End (As of Date)</th>
<th>Last Transaction Date</th>
<th>Due Diligence Must be Performed</th>
<th>Holder Notice Report Due Before</th>
<th>Holder Remit Report &amp; Remittance Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2018</td>
<td>7/1/14 – 6/30/15</td>
<td>10/31/17 – 4/30/18</td>
<td>11/1/2018</td>
<td>6/1/19 – 6/15/19</td>
</tr>
<tr>
<td>12/31/2017</td>
<td>1/1/14 – 12/31/14</td>
<td>10/31/17 – 4/30/18</td>
<td>11/1/2018</td>
<td>6/1/19 – 6/15/19</td>
</tr>
<tr>
<td><strong>Life Insurance Companies</strong></td>
<td>1/1/14 – 12/31/14</td>
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Holder Action: Perform Due Diligence

- **Due diligence** is the process of attempting to locate the owner(s) of dormant property valued at $50 or more *before* escheating the property to the State.

- Due diligence is **mandated by California state law** (CCP 1513.5, 1514, 1516, and 1520).

- **Holders are responsible for notifying property owners** before the deadline for reporting the property to the State.

- **Reasonable efforts must be made** to locate the owners and send a notice to their last known address.

- **If contact is made** with the property owner, the property is no longer dormant/unclaimed.
Holder Action: Perform Due Diligence

• Mail the Due Diligence Letter
  • Centered heading that reads: “THE STATE OF CALIFORNIA REQUIRES US TO NOTIFY YOU THAT YOUR UNCLAIMED PROPERTY MAY BE TRANSFERRED TO THE STATE IF YOU DO NOT CONTACT US.”
  • Notice must clearly state that the property will escheat to the State if a timely response to the notification is not received.
  • Notice must be sent if the holder has in its records an address for the apparent property owner, which the holder’s records do not disclose to be inaccurate.
  • Notice can be sent electronically with the property owner’s consent or mailed to the property owner’s last known address.
  • Notice must include a form for the owner to indicate an interest in the property (except for safekeeping properties).
  • A holder can charge up to $2 for the cost of sending the notice when the properties being reported have a value of $50 or greater (greater than $2 for banking and financial institutions).
XYZ Company
1234 MAIN STREET • SACRAMENTO, CALIFORNIA 99999

“THE STATE OF CALIFORNIA REQUIRES US TO NOTIFY YOU THAT YOUR UNCLAIMED PROPERTY MAY BE TRANSFERRED TO THE STATE IF YOU DO NOT CONTACT US.”

January 1, 2010

Owner Name
Address
City State Zip

Account Number: 1234

Dear Mr. or Mrs. ________________

California Unclaimed Property Law requires XYZ Company to transfer funds from deposit, account, shares, or other interest to the State Controller’s Office (SCO) if the account has been inactive for three years. According to our records, there has been no customer activity on your account for more than two years. Therefore, your property is in danger of escheating to the state unless you contact us or respond by completing, signing, and returning this notice to:

XYZ Company
1234 Main Street
Sacramento, CA 99999

Email Address: jsmith@xyzcompany.com
TEL. (800)123-4567 FAX (800) 123-0111

If your account is transferred to the SCO, you will be required to submit a claim to the SCO in accordance with the provisions of the California Code of Civil Procedure in order to recover it.

Please check the appropriate box, sign in the space provided below, and return to us as soon as possible to avoid having your account escheated to the SCO:

☐ I wish to maintain this account; by signing and returning this notice, I am satisfying the requirements of the Code of Civil Procedure by indicating an interest in the account and my desire that XYZ Company maintain this account on my behalf.

☐ Please update my address(es) as follows:

________________________________________

________________________________________

☐ I wish to close the account. Please send a check for the closeout amount.

________________________________________ (Signature)  __________________________ (Date)

We appreciate your assistance in this matter. Please contact our office if you have any questions or if we can be of assistance to you in any way.

Sincerely,

John Smith
Accounting Department
XYZ Company
California’s Two-Report Process

**Holder Notice Report** (before November 1) – Do **Not** Remit Property

**Holder Remit Report** (June 1-15) – Remit Property
California’s Two-Report Process

• **Holder Notice Report** — Do Not Remit Property
  • First report in the two-report process.
  • Due annually.
  • Submitted after holder due diligence is performed.
  • Due before November 1.
    • Must be received in the office before November 1; a postmark is not acceptable.
  • Must be in correct format (Standard NAUPA II).
  • Includes a complete listing of all properties that remain unclaimed.
Submitting the Holder Notice Report

Two possible options:

1. **Electronic Report** – Must be used when reporting 10 or more properties.
   - Free software can be found at [www.unclaimed.org/reporting](http://www.unclaimed.org/reporting)

2. **Paper Report** – May be used when reporting nine properties or less.
   - Must use the Annual Report of Unclaimed Personal Property Owner Detail Sheet (UDS-1).
Submitting the Holder Notice Report

Your Holder Notice Report consists of:

1. UFS-1
2. UDS-1 or CD/Disk in Standard NAUPA II Format
Submitting the Holder Notice Report

• The Supplemental Holder Notice Report
  • If the holder identifies additional property owner accounts that were not included on the original Holder Notice Report, they must be reported on a separate “Supplemental Holder Notice Report”.
  • May affect your remit due date.
  • The SCO will send a separate Holder Remit Report Reminder Letter (14F) identifying the Report ID and the date the Holder Remit Report is due.
After the Holder Notice Report is Received

- Once the Holder Notice Report is processed and cleared, the SCO will send the holder a 14F identifying the report ID and the Holder Remit Report due date.
  - The 14F must be signed and returned later with the Holder Remit Report to expedite report processing.
- The SCO will also send out a notice to all property owners listed on the report with properties valued at $50 or greater, and for all stocks and safe deposit box properties.
  - This letter instructs the property owner to contact the holder to reclaim their property before it escheats to the State.
The State Controller’s Office (SCO), Unclaimed Property Division, has received your Holder Notice Report. This reminder letter is to inform you that your Holder Remit Report, along with the delivery of remittance of all remaining undelivered property, is due to the SCO on the date specified above. If the Remit Report and remittance are not received by the SCO during the specified timeframe, holders will be subject to interest assessment at a rate of 12% per annum (California Code of Civil Procedure Section 1577). Holders of Safe Deposit Boxes or Safekeeping Repositories are required to remit the reported contents until contacted by the SCO. If the properties listed have been returned to the owner, submission of a UPS-1 form (Rev. 05/12) is still required by the SCO.

Holder Remit Report Requirements/Guidelines:

- **Accounts Included on the Holder Notice Report that are No Longer Undelivered:** Holders must contact the owner when the property is no longer undelivered or when no longer undelivered because of owner’s request prior to the date required to remit the property to the SCO. The accounts that were reported on the Holder Notice Report that are no longer undelivered because of owner’s request prior to the date required to remit the property to the SCO. Holders must submit the following: the holder’s name, the account number, the amount reported, and the remittance date. The holder may or may not include the owner account numbers from the report. The holder must also include in the report the holder’s name, address, and telephone number. The holder must include an affidavit from the owner that the property is no longer undelivered due to the owner’s request.

- **New Accounts not Included on the Holder Notice Report:** New accounts that were not identified can be included in the report. If the accounts are included in the report, the holder must provide the same information as the accounts included on the Holder Notice Report. The holder must also include an affidavit from the owner that the property is no longer undelivered due to the owner’s request.

- **EFT Instructions:** Holders of undelivered property must remit cash property by Electronic Funds Transfer (EFT) if the amount is $20,000 or more. EFT instructions are available on the holder’s account. Holders must also include the following information with the EFT: the holder’s name, address, and telephone number. The holder must also include a check or money order for the amount of cash property remitted.

- **Transfer of Securities:** The holder must transfer the securities to the SCO. The holder must also provide the following information: the holder’s name, address, and telephone number. The holder must also include a check or money order for the amount of cash property remitted.

- **Required Forms:** The holder must include a copy of the SS-1 form (Rev. 03/11) with each Holder Notice Report. The holder must also include a copy of the UPS-1 form (Rev. 05/12) with each Holder Notice Report.

This reminder letter and your remittance of the Reported Amount and Reported # of Shares, as delineated above, must be received within the date range in the Remit Report Due Date field above. Please follow all EFT and Transfer of Securities instructions located in the Holder Handbook at www.sco.ca.gov when remitting the property.

Sign and date this form and return it with your Holder Remit Report to expedite processing:

Printed Name ____________________________

Signed ____________________________

Date ____________________________
If the Property Owner Contacts You

- The property owner can contact you in any of the following ways:
  - Telephone
  - Email
  - Fax
  - Written Notification
  - In-person

- This contact stops the property from escheating.

- Reimburse the property owner directly up until the Holder Remit Report is due.
Submitting the Holder Remit Report

Second and final step of two-report process

- **Holder Remit Report** is due between **June 1-15** and includes:
  - **UFS-1**
    - Report ID #
    - Section A (Check #, EFT #)
    - Section F must equal the total amounts reported on the list of property owners.
  - **UDS-1 or CD/Disk in Standard NAUPA II Format**
    - FEIN
    - $ Amount Reported
    - Report Year
    - Holder Name
  - **Remittance**
  - **Holder Remit Reminder Letter (14F) Form**
  - **Securities Summary (SS-1) Form**
Submitting the Holder Remit Report

- Property reported on the Holder Notice Report but subsequently claimed by the owner should be:
  1. Excluded from the Holder Remit Report; or
  2. Reported with the appropriate pay or deletion type code with the amount remitted shown as zero.

- List of property owners on the Holder Remit Report should match the list of property owners on the previously submitted Holder Notice Report.

- No new properties can be listed/remitted; remittances of new properties will be returned to the holder. Instead, submit a Supplemental Holder Notice Report for new properties.
Submitting the Holder Remit Report

Remitting Money

• **$20,000 or More**

  Holder shall submit payment of unclaimed cash in the amount of $20,000 or more by Electronic Funds Transfer (EFT), pursuant to CCP section 1532. Failure to make payment by electronic funds transfer when required will result in the assessment of a 2% penalty.

  • Holders shall remit funds by Automated Clearing House (ACH) Debit, ACH Credit, Fedwire, or International Funds Transfer.

  **Note**: The SCO encourages holders to consider using the ACH Debit option.

• **Amounts Under $20,000**

  • Holders may remit funds by EFT or check.
Other Report Types

- **Negative Report (NIL)** - Holders that neither hold nor owe unclaimed property are not required to submit a report, although it is recommended that they do so by completing and filing the UFS-1 form only. The SCO may require the filing of such a report by sending notification to the holder.

- **Supplemental Holder Notice Report** - If the holder identifies accounts that were not included on the original Holder Notice Report, they must be reported on a separate Supplemental Holder Notice Report.
Avoid Interest, Fines, and Penalties

- Submit your Reports on Time
  - California has a 12% per annum interest charge on late reports and remittances (CCP §1577).

- Remit Property on Time
  - A fine can be assessed by the courts for willful failure to report/remit/deliver OR filing a fraudulent report.
    - $100 per day ($10,000 maximum) for failure to report (CCP §1576(a))
    - $5,000 – $50,000 for refusing to deliver property (CCP §1576(b))

- A Civil Penalty of 2% of the payment amount will be administratively assessed when the remittance is over $20,000 and was not remitted by EFT (CCP §1532(g)).
Common Reporting Errors

- Reporting property too early.
- Remitting property ($) with the Holder Notice Report.
- Incorrect file format.
  - Paper report exceeds limit, ten or more properties.
  - Failure to sign the UFS-1 with each report.
Common Reporting Errors

- Invalid property type codes.
- Invalid property starting transaction date or date of last contact (DLC).
- Invalid joint owners/relationship codes.
- Lack of social security number.
- Not following State specific requirements.
Common Reporting Errors

Electronic Filing

- After the report has been developed using the file/record format requirements it must be burned to a CD or floppy disk (one or more reports may be copied to a single file).
Common Remittance Errors

• Remittance not submitted with the Holder Remit Report.

• Proof of securities remittance not included with the Holder Remit Report.

• More than one check included with the Holder Remit Report.

• Remitting a check for unclaimed property amounts exceeding $20,000 (payment of unclaimed cash in the amount of $20,000 or greater shall be made by electronic funds transfer, CCP §1532).
What is the report “As of” date?

- The “As of” date is the holder’s fiscal year-end, or June 30; the “As of” date for life insurance companies is December 31.
- The “As of” date is not the date the report was due, created, or submitted.
After sending in our Holder Notice Report, all properties were returned to their rightful owners. Do we still need to submit a Holder Remit Report?

Yes. A Negative Report (NIL) should still be submitted.
Frequently Asked Questions

After sending in our Holder Notice Report, several properties were returned to their rightful owners. Do we still need to submit a Holder Remit Report?

Yes. When completing the Holder Remit Report, remove or adjust all properties no longer reportable.
Frequently Asked Questions

Our firm just submitted our Holder Notice Report and left off five properties. Is it okay to add these properties to the Holder Remit Report when we file in June?

No. Any new property that was not included on the original Holder Notice Report must be reported on a Supplemental Holder Notice Report.
Frequently Asked Questions

Does California offer a voluntary disclosure program (VDA)?

No. There is no statutory authority in California for such a program.
Frequently Asked Questions

Can I request an interest waiver?

The Unclaimed Property Division does not have the statutory authority to waive the interest. All interest waiver requests must be considered and decided by the SCO Legal Office. The SCO Legal Office can be reached at (916) 445-6854.
Frequently Asked Questions

What is the dormancy period for an IRA?
The dormancy period is three years, so IRAs are reportable 3 years after:

- Date of mandatory distribution if the IRA/retirement plan has a mandatory distribution date or age;
- The owner reaches 70 and ½ years of age, if there is no mandatory distribution.

The bank cannot escheat the IRA if the owner has another active account.
Compliance & Outreach Resources

• **Holder Handbook** – This is a compilation of reporting instructions, laws, codes and regulations.

• **Holder Notices** – Holder notices alert the holder community to important changes or new information. You may sign up on our website to receive all notices sent to holders.

• **Holder Newsletter** – The Holder Newsletter is a quarterly newsletter to holders which identifies important upcoming dates and summarizes changes in the law and reporting tips.

• **Unclaimed Property Division Events Page** – View the list of upcoming events, as well as past webinar videos, and sign up to receive notifications about future workshops, seminars, and events.

• **Outreach and Compliance Unit**
  • Site visits or speaking engagements
  • Webinars
  • One-on-one assistance
Reporting Resources List

- SCO Reporting Page:
  http://www.sco.ca.gov/upd_rptg.html
- Holder Handbook:
  http://www.sco.ca.gov/Files-UPD/guide_rptg_holderhandbook.pdf
- Unclaimed Property Law and Regulations:
  http://www.sco.ca.gov/upd_lawregs.html
- Dormancy Period Tables:
  http://www.sco.ca.gov/Files-UPD/outreach_rptg_hol_dormancy.pdf
- Property Reporting Cycle Tables:
  http://www.sco.ca.gov/upd_rptg.html
- Holder Notices:
  http://www.sco.ca.gov/ucp_holder_notification_email.html
- Holder Newsletter:
  http://www.sco.ca.gov/upd_rptg_outreach.html
- Unclaimed Property Division Events Page:
  http://www.sco.ca.gov/upd_events.html
- NAUPA:
  http://www.unclaimed.org/reporting/free-holder-reporting-software/
Contact Information

California State Controller’s Office
Unclaimed Property Division
10600 White Rock Road, Ste 141, Rancho Cordova, CA  95670

Holder Outreach & Compliance Unit
(916) 464-6088
UPDHolderOutreach@sco.ca.gov

Reporting Unit
(916) 464-6284
UCPReporting@sco.ca.gov

Questions regarding EFT Remittance
(916) 464-6220
UPDSCOEOFT@sco.ca.gov

Claims Assistance
(800) 992-4647
www.claimit.ca.gov

Visit our Website: www.sco.ca.gov