

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 5540 (Substitute S-1 as reported)
Sponsor: Representative Clark Bisbee
House Committee: Employment Relations, Training and Safety
First Senate Committee: Local, Urban and State Affairs
Second Senate Committee: Finance

Date Completed: 11-27-02

RATIONALE

The Uniform Unclaimed Property Act provides for the disposition of escheated property, that is, tangible or intangible property that reverts to the State Treasurer in the absence of legal owners or claimants because the owner died leaving no heirs, has disappeared, is missing for a continuous period of at least five years, or has abandoned the property. A person may file a claim for redemption of his or her property at any time (even after it has escheated to the State and been disposed of), and the State must keep property (or its equivalent in money) for potential claimants in perpetuity.

According to the Michigan Restaurant Association, employers in high-turnover businesses often have to manage unclaimed wages from employees who quit after working several hours or less. Apparently, the costs of paperwork, mailing, notification, and bookkeeping sometimes exceed the value of the unpaid wages. Therefore, some people believe that when small amounts of unpaid wages go unclaimed, employers should not be required to file unclaimed property reports with the State Treasurer.

CONTENT

The bill would amend the Uniform Unclaimed Property Act to exempt from the Act unpaid wages of \$50 or less owing in the ordinary course of the holder's business that remained unclaimed by the owner for more than one year after becoming payable.

Currently, unpaid wages, including wages represented by unrepresented payroll checks, owing in the ordinary course of the holder's

business that remain unclaimed by the owner for more than one year after becoming payable are presumed abandoned. The bill would retain this provision but would apply it to unpaid wages greater than \$50, including wages represented by unrepresented payroll checks greater than \$50.

MCL 567.236

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Holders of unpaid wages are required to notify owners through mail or telephone inquiries and to keep track of the unpaid wages for a period of five years before turning them over to the State. Once the unpaid wages revert to the State, the Unclaimed Property Division of the Department of Treasury must make attempts to notify any owners of their right to claim the property, including publishing in newspapers an annual notice that lists the names of the people appearing to be owners of the unclaimed property. A list of owners of all unclaimed property valued over \$50 also is posted on the Department's Internet site. This process, however, is expensive and time-consuming, and often the costs of paperwork, mailing, notification, and bookkeeping exceed the amount of the unpaid wages. By exempting holders from having to file unpaid wages of \$50 or less with the State, the bill would enable the State and employers to avoid these costs.

Opposing Argument

The Act protects ownership interests in unclaimed property belonging to people whose whereabouts are unknown. The State Treasurer takes custody of the property so the owner may claim it, even if the original holder is no longer in business. According to the Department of Treasury, each year it receives an estimated \$50 million in unclaimed property. It is unclear what portion of this amount is from unpaid wages of \$50 or less, but the money that is never claimed is transferred into the General Fund for the benefit of all Michigan residents.

The Act also centralizes the search for lost property so that people trying to locate unclaimed property, even unpaid wages not over \$50, need to look only in the Unclaimed Property Division of the Department of Treasury.

Legislative Analyst: George Towne

FISCAL IMPACT

Unclaimed property benefits the General Fund until claimed by the owner. By removing payroll checks of \$50 or less from the presumption of abandonment, the bill could reduce the amount deposited in the General Fund, which would reduce the amount earned on this money until it is claimed by the owners. In FY 2000-01, \$57.3 million in total unclaimed property reverted to the State and \$24.6 million was redeemed in claims by owners.

Fiscal Analyst: Jessica Runnels

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.