

Legislative Analysis



UNCLAIMED PROPERTY

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House Bill 6421

Sponsor: Rep. Fred Durhal, Jr.

Committee: Tax Policy

Complete to 9-14-10

A REVISED SUMMARY OF HOUSE BILL 6421 AS INTRODUCED 9-8-10

House Bill 6421 would amend the Uniform Unclaimed Property Act, 25 PA 1995, by changing the dormancy period for unclaimed property. Under current law, most unclaimed property has a five-year dormancy period, with traveler's checks and money orders having a fifteen-year and seven-year dormancy period, respectively. Two statutory changes would be made that would provide the state with an estimated \$168.0 million in net new revenue in FY 2010-11 and \$61.0 million net new revenue in FY 2011-12:

- The first would move the due date for unclaimed property to be remitted from November 1 to July 1. Currently, unclaimed property exceeding the dormancy period as of June 30 is remitted by November 1. Under the proposed statutory change, unclaimed property exceeding the new three-year dormancy period as of March 31 would be remitted to the State on July 1. Therefore, FY 2010-11 would have two remitted property dates, November 1, 2010 and July 1, 2011. The new date is estimated to result in \$52.0 million in net new revenue for FY 2010-11.
- The second statutory change would lower the dormancy period for all uncollected revenue to three years from five years, seven years, or fifteen years. The Department of Treasury expects this statutory change to result in \$116.0 million in net new revenue for FY 2010-11 and \$61.0 million in net new revenue in FY 2011-12. A large portion of the new revenue would come from traveler's checks due to their long dormancy period under current law. Approximately \$61.4 million is expected from traveler's checks alone.

It should be noted that from FY 2012-13 through FY 2014-15, the Department of Treasury expects reductions in normal transfers to the General Fund of \$36.0 million, \$42.0 million, and \$42.0 million, respectively. Revenue reserved would exceed the cash balance in those three years. This three-year drop is due to expected new claims on unclaimed property due to the dormancy change.

Even though the statutory change would accelerate the due date and shorten the dormancy period for all unclaimed property, a person with an interest in the property remitted to the state is entitled to make a claim on it after the expiration of the dormancy

period. There is no time limit for claiming these funds from the State Treasurer.¹ Almost all property remitted to the State Treasurer after the dormancy period is posted on a publicly searchable database on the Department of Treasury website.²

Finally, \$4.8 million of the funds generated by the unclaimed properties deposited under this bill would be appropriated to the Department of Treasury for administration and public awareness of the program. The appropriation would be considered a work project and any unencumbered balances would be carried forward into the following year. The expected completion date of the project is September 30, 2012.

FISCAL IMPACT:

The following table provides a snapshot of the department's projected changes in revenue (in millions) transferred to the General Fund under the proposed statutory changes to the unclaimed property law:

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Current Law Transfer to General Fund	\$38.0	\$40.0	\$36.0	\$34.0	\$34.0	\$34.0	\$34.0
Proposed Statutory Change Transfer to General Fund	38.0	208.0	97.0	(2.0)	(8.0)	(8.0)	34.0
Net Revenue Gain/(Loss)	\$0.0	\$168.0	\$61.0	(\$36.0)	(\$42.0)	(\$42.0)	\$0.0

Note: Revenue to GF/GP becomes negative in FY 2013 due to new claims on unclaimed property under new law.

Source: Department of Treasury

Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

¹ See MCL 567.245.

² See MCL 567.239. The State Treasurer is not required to post property with a value under \$50.00 on the searchable database unless he or she considers one or more of those items to be in the public interest.