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House Bill 4289 (Substitute S-2 as reported)
Sponsor: Representative Aric Nesbitt
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Uniform Unclaimed Property Tax to do the following:

- Require any examination of a person's records by the administrator (the State Treasurer) or his or her agents to be performed in accordance with generally accepted auditing standards to the extent applicable to unclaimed property examinations.
- Require a person who had been audited, or whose records had been examined, to be given a complete copy of the audit report.
- Specify information that the report would have to include.
- Allow the administrator or agents to determine the amount of any abandoned or unclaimed property due and owing based on a reasonable method of estimation, consistent with the auditing standards, if the person being examined did not have "substantially complete records", as defined in the bill.
- Require the administrator, within six months after the bill's effective date, to file a request for rule-making with the Office of Regulatory Reinvention, to initiate rules on auditing standards.

The bill provides that, if a person had filed all required reports and maintained substantially complete records, all of the following would apply:

- The examination would have to include a review of the person's books and records.
- The examination could not be based on an estimate.
- The administrator or his or her agents would have to consider all evidence presented by the holder to remediate the findings.

MCL 567.251

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase the costs of the Department of Treasury by an unknown amount due to the proposed requirement to file a request for rule-making to initiate rules regarding audit standards for unclaimed property audits. The proposed limits on the use of estimation in audits would have an unknown impact on the General Fund, which receives revenue from unclaimed property turned over to the State pursuant to the Act. Payments to verified owners of that property are paid from the General Fund. The table below summarizes the estimated unclaimed property received by the State, net of verified claims paid to owners of the property. The revenue increased sharply in FY 2010-11 and FY 2011-12 due to acceleration of dates for remitting unclaimed property to the State pursuant to Public Act 197 of 2010 and additional audits. The table also shows the amount of the unclaimed

property that was recovered by private auditors pursuant to contracts with the Department of Treasury and the cost of those audits. The budget for the Department limits the payments to private auditors to not more than 12.0% of collections.

Estimated General Fund Net Revenue from Unclaimed Property and the
Amount Recovered by Audit Firms on Contract
(millions)

	Unclaimed Property Revenue/(Expense) to the General Fund	Amount of Unclaimed Property Recovered by Private Contractors	Costs of Private Contractors
FY 2009-10	\$38.9	\$8.9	\$0.8
FY 2010-11 ^{a)}	215.4	8.7	0.9
FY 2011-12 ^{a)}	142.8	23.9	2.4
FY 2012-13 Est.	34.2	N/A	N/A
FY 2013-14 Est. ^{b)}	(3.8)	N/A	N/A
FY 2014-15 Est. ^{b)}	(3.8)	N/A	N/A
^{a)} Acceleration of unclaimed property collections was implemented in FY 2010-11 and FY 2011-12.			
^{b)} State pay-outs of previously unclaimed property are expected to exceed receipts due to the previous acceleration of collections.			
Source: May 2013 Consensus Revenue Estimating Conference and Department of Treasury unclaimed property reports pursuant to budget act boilerplate Sec. 919.			

Date Completed: 10-4-13

Fiscal Analyst: Elizabeth Pratt

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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.