

Legislative Analysis



ESCHEATS: LOCATORS

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<http://www.house.mi.gov/hfa>

House Bill 5283 as enacted
Public Act 312 of 2016
Sponsor: Rep. Michael Webber
House Committee: Tax Policy
Senate Committee: Finance
Complete to 7-3-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

The bill deals with “locators” of escheated property and allows the state to make information available about unclaimed escheated property to “locators” beginning two years after the property is turned over to the state.

The term “locator” refers to a person who, for compensation, locates owners of unclaimed property and enters into a written agreement with an owner to document entitlement to property and to locate, deliver, recover, or claim property assumed abandoned or to assist in such activities.

Under the bill, a locator must register with the Department of Treasury and pay a fee of \$1,200. The registration must be renewed and a new fee paid every four years. A locator is ineligible for registration if there was a felony conviction for dishonesty, deceit, fraud, or a breach of fiduciary duty during the preceding 10 years involving the individual, a current officer or owner of an entity, or a current employee. The fees collected will be used by the department to register and monitor locators.

Under the Uniform Unclaimed Property Act, generally speaking, property that remains unclaimed or dormant for a certain number of years, as provided in the act, is transferred to the state (that is, “escheated”). Unclaimed property or its equivalent value is maintained by the state for property owners in perpetuity; owners or heirs always have the right to claim the property.

The Act currently contains a provision that says that an agreement to pay compensation to recover or assist in the recovery of property made within 24 months after the property has been delivered or paid to the state “administrator” (the state treasurer) is unenforceable. House Bill 5283 says that an agreement between a “locator” and an apparent owner of unclaimed property is subject to that provision.

Under House Bill 5283, the state treasurer may sell or otherwise provide information to a locator for unclaimed accounts that have remained unclaimed for 24 months or more after being delivered or paid to the state treasurer, if the value of the unclaimed property is \$10,000 or more. The information must be provided in an electronic searchable format and may include: the name of the apparent owner and that owner’s address, as reported by the holder; the relationship code, if any; and the type and amount of property and its cash value.

A locator may not distribute information received from the department to other locators or anyone other than the apparent owner for compensation

MCL 567.222 and 567.256

FISCAL IMPACT:

According to the Department of Treasury, sales of unclaimed property records bring in approximately \$15,000 in revenue annually. Any increase in revenues would be directly related to the increase in such sales under the provisions of the bill. The department currently charges 2.5 cents per record.

The provisions of the bill permit the Department of Treasury to authorize the locator and claimant to have access to the addresses listed on the account. If the department chose to authorize the release of this information, the department would need to have the claimant verify the address through a utility bill or other document, potentially lengthening the claims process for individuals. Therefore, administrative costs, including fraud detection, would increase under the provisions of the bill. Because the department noted the potential for increased fraud activity due to the release of additional information to potential locators, it is not known whether this method would be implemented. The magnitude of the increased costs is unknown.

The Department of Treasury also noted that any lengthening of the claims process could lead to slightly higher General Fund revenues due to the delayed redemption of claims (unclaimed property is deposited in the General Fund under statute). On the other hand, assuming an individual would not have claimed the property but for the changes provided in HB 5283, the General Fund revenues may see a decrease due to increased claims from individuals. In relation to overall unclaimed property revenues, the impact is not expected to be significant. The provisions of the bill require the unclaimed property to be valued at \$10,000 or more, which would limit the applicability of the bill to a small subset of accounts.

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