

Legislative Analysis



ESCHEATS: LOCATORS

Phone: (517) 373-8080
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House Bill 5283 (reported as H-4; H-5 proposed)

Sponsor: Rep. Michael Webber

Committee: Tax Policy

Complete to 3-24-16

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

SUMMARY:

The bill deals with "locators" of escheated property, and would allow the state to make information available about unclaimed escheated property to "locators" beginning two years after the property had been turned over to the state.

The term "locator" would refer 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 proposed Substitute H-5, a locator would have to register with the Department of Treasury and pay a fee of \$1,200. The registration would need to be renewed and a new fee paid every four years. A locator would be ineligible for registration if there had been 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 would 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 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, as reported from committee, the state treasurer could sell or otherwise provide information to a locator for unclaimed accounts that have remained unclaimed for not less than 24 months after being delivered or paid to the state treasurer, if the value of the unclaimed property is \$2,000 or more. The information would have to be provided in an electronic searchable format and include: the name of the apparent owner and that owner's address; the relationship code determined by the Department of Treasury, if any; the type and amount of property and its cash value; the number of shares, if the

property is shares of stock or securities; and an inventory of contents if the property is the content of a safe deposit box. The \$2,000 limitation does not apply to multiple accounts of the same apparent owner if the combined amounts exceed that limit.

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

FISCAL IMPACT:

[Note: Under a proposed H-5 substitute, locators would have to register with the department every four years, paying a \$1,200 fee each time. That revenue would go toward the licensing and monitoring of locators.]

The following is the fiscal impact statement for the bill as introduced:

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. Treasury currently charges 2.5 cents per record.

The provisions of the bill would increase the information Treasury would be required to make available to locators, which would slow the process for verifying a claimant's identity. The Department of Treasury currently uses addresses to screen claimants. Since the bill would authorize the locator and claimant to have access to the addresses listed on the account, 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. The Department of Treasury noted the potential for increased fraud activity due to the release of additional information to potential locators. The magnitude of the increased costs is unknown.

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.

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