

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6393
BILL NUMBER: SB 227

DATE PREPARED: Mar 2, 2000
BILL AMENDED: Feb 23, 2000

SUBJECT: Uniform Unclaimed Property Act.

FISCAL ANALYST: Susan Preble
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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides a limit on the amount of compensation that may be paid to recover funds from an unpaid or outstanding warrant or check issued by the state or a political subdivision. It requires that certain elements must be in agreement to recover an unpaid or outstanding warrant or check issued by the state or a political subdivision.

It makes changes to Indiana's unclaimed property law to conform with portions of the Uniform Unclaimed Property Act. It changes the time period requirement for written notice from the holder of property presumed abandoned to the apparent owner and Attorney General.

It provides that property and proceeds held by a court or a court clerk do not become unclaimed property until 5 years after the property or proceeds become distributable. It provides that property and proceeds related to child support that are held by a court or a court clerk do not become unclaimed property until 10 years after the property or proceeds become distributable.

It requires that tangible property held in a safe deposit box be held for at least 120 days after the property is reported to the Attorney General. It removes the requirement that the Attorney General publish a notice relating to a traveler's check, money order, or similar instrument presumed abandoned. It requires the Attorney General to give notice approving or denying a claim within 90 days after the claim is filed.

It excludes from the definition of "property" in the unclaimed property law a transaction between business entities and motor carriers.

It also provides for a judicial appeal of an adverse unclaimed property decision.

Effective Date: (Revised) July 1, 2000; January 1, 2002.

Explanation of State Expenditures: (Revised) This bill requires that the Attorney General pay interest on property other than money (i.e. interest-bearing demand, savings, or time deposit) for every year of accrual. Interest is to accrue when the property is delivered to the Attorney General and ceases on the earlier of the expiration of ten (10) years after delivery or the date on which payment is made to the owner. This provision has a fiscal impact on the *Abandoned Property Fund*. Under current statute, the Attorney General does not pay interest on any property after delivery.

Explanation of State Revenues: (Revised) The provision excluding transactions between business entities and motor carriers from the definition of property will decrease revenue because it excludes outstanding checks or unidentified receipts that result from normal business transactions from the unclaimed property law. In addition to unclaimed property to which a creditor, claimant or payee is legally entitled, other examples of such transactions include errors in accounts payable, misapplied credits, and unidentified freight payments.

In 1999, \$2 million in unclaimed property was collected from corporations (not including financial institutions). It is not known how much of the \$2 million can be attributed to transactions between business entities and motor carriers.

All intangible property held by businesses or financial institutions is to be presumed abandoned seven years after the last owner contact and is subsequently remitted to the Office of the Attorney General. All funds received are placed in the *Abandoned Property Fund*. A claimant can recover the value of the property for up to 25 years. Whenever the balance of the principal of the Fund exceeds \$500,000, the excess is transferred to the *Common School Fund*. Each year, the interest balance in the *Abandoned Property Fund* is transferred to the *State General Fund*. At the end of FY 1999, the balance of the *Abandoned Property Fund* was \$19.5M.

In 1999, the Attorney General collected approximately \$22.6M in unclaimed property from all sources. Of that \$22.6M, the Attorney General estimates that \$13.6M represents unclaimed interest- and non-interest bearing funds collected from banks. In 1999, the Attorney General paid out \$6.6M in claims. The Attorney General estimates that of the \$6.6 M paid out in claims, 60% is from interest-bearing funds. At a 5% interest rate, approximately \$197,484 in interest would have been paid out in 1997 [(\$6,582,813 x .60 x .05)].

Any interest *earned* on unclaimed property is deposited into the *General Fund*.

The following is a four-year history of the amount of unclaimed property collected by the Office of the Attorney General and the amount paid out in claims:

Year	Unclaimed Property Collected	Claims Paid Out
1996	\$16,316,669	\$4,643,913
1997	\$20,712,281	\$5,644,795
1998	\$18,603,716	\$6,159,661
1999	\$22,626,800 (to date)	\$6,582,813

1995 was the first full year the unclaimed property website was available via the Internet. (The website can be found at: <http://www.state.in.us/cgi-bin/hoosieradvocate/UCP/ucp.cgi>.)

The table above reflects increases in both the amount of unclaimed property collected and the amount of claims paid every year. Consequently, the amount of interest paid will most likely increase annually.

Currently, twenty-nine states do not pay interest on unclaimed property, and twenty-two states do (the total of 51 states includes the District of Columbia).

Explanation of Local Expenditures: (Revised) This bill would impact courts by shortening the time period for which all non-child support related property or proceeds held by a court is presumed abandoned from ten (10) to five (5) years beginning on January 1, 2002. It provides that property and proceeds related to child support that are held by a court or a court clerk do not become unclaimed property until 10 years after the property or proceeds become distributable.

If the owner or apparent owner has not communicated in writing with the holder (the court in this case) concerning the property or has not otherwise given an indication of interest in the property after ten years for all property related to child support and five years for all other types of property, the court must treat the property or proceeds as unclaimed property to be collected by the Attorney General.

Explanation of Local Revenues:

State Agencies Affected: Office of the Attorney General.

Local Agencies Affected: Political subdivisions; courts.

Information Sources: Priscilla Keith, Director, Unclaimed Property Division, Office of the Attorney General, 232-4830.