

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7125

BILL NUMBER: SB 198

NOTE PREPARED: Mar 31, 2005

BILL AMENDED: Mar 28, 2005

SUBJECT: Abandoned and Unclaimed Property.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR: Rep. Turner

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides that, under the law concerning abandoned and unclaimed property, the attorney general may waive the payment of interest for a person who is obligated but fails to pay money or deliver property owned by another. The bill also reduces from five years to three years the period after which stock and other payments is considered abandoned.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) The impact of this bill on the Abandoned Property Fund is indeterminable. This bill allows the Attorney General's Office (AG) to waive, for any reason, the payment of interest for a person who is obligated but fails to pay money or deliver property owned by another.

Current law requires a showing of good cause, by the holder, of an excuse for the failure to deliver before the AG may waive the interest. The AG reported that currently no interest has been recovered under IC 32-34-1-45 as it stands.

The AG anticipates that by allowing discretionary waiver of this interest there will be an increase of abandoned property reported and delivered to the state. It is indeterminable how much this waiver of interest will stimulate reporting and delivery of property to the AG, but any increase in delivery will result in more revenue to the Abandoned Property Fund.

The bill also reduces from 5 years to 3 years the period after which a stock, dividend, profit, distribution, interest, redemption, payments on principal, or any other sum held or owed by a business association is considered abandoned. The impact of this provision is indeterminable. It is estimated that by shortening the period for stock to be considered abandoned will increase state General Fund revenue. By shortening this period, stock that is presumed abandoned will be deposited in the Abandoned Property Fund (AP Fund) at an earlier date, which in turn could allow the AP Fund to earn more interest on the stock. The increase in interest earned on the stock ultimately depends upon the date, if ever, the stock is claimed.

Background: The Abandoned Property Fund had revenue of \$42.8 M in FY 2003 and \$102 M in FY 2004*(see below). P.L. 224-2003 specifies that on June 30 of 2004, 2005, and 2006, the balance of the Abandoned Property Fund, less deductions, is to be deposited in the state General Fund. The Abandoned Property Fund is to retain a balance of \$500,000, and the operating costs associated with the AG's unclaimed property program, including the cost of publishing legal notices, are paid for with appropriations from the Fund. A claimant can recover the value of the property for up to 25 years. Claims not covered by the balance of the Abandoned Property Fund are paid from the state General Fund. Interest accrued on property in the Abandoned Property Fund is deposited in the state General Fund.

After June 30, 2006, any balance above \$500,000 (after deducting operating costs) shall be transferred to the Common School Fund in accordance with IC 34-32-1-34. Also after June 30, 2006, any interest accrued on property in the Abandoned Property Fund is deposited in the Common School Fund.

*The increased revenue in the Fund in FY 2004 is a one-time occurrence that reflects the change in timing that establishes when the proceeds due to shareholders as a result of the demutualization of a mutual insurance company are presumed to be abandoned and reportable to the state.

Recent changes in the unclaimed property law (P.L. 224-2003) decreased the amount of time in which unclaimed property reports from demutualized insurance firms are reportable as unclaimed property. Prior to this change, unclaimed shareholder proceeds from the restructuring of a mutual insurance firm were reportable to the state as unclaimed property five years after the restructuring event. P.L. 224-2003 changed the law so that unclaimed shareholder proceeds may be presumed abandoned and reportable to the state five years after the insurer's last contact with the policyholder or five years after the mutual insurance company's restructuring.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Attorney General.

Local Agencies Affected:

Information Sources: Jason Thompson, Attorney General's Office, 317-233-2413.

Fiscal Analyst: Adam Brown, 317-232-9854.