Where Can You Find “Lost” Money in the Pandemic?

December 8, 2020

The COVID-19 pandemic has caused financial hardships for many businesses and taxpayers. Shelter-in-place orders closed companies’ doors for months resulting in significant losses of revenue and job cuts. Businesses are now adapting to new ways of operating and are seeking alternative avenues to generate much-needed revenue. However, in doing so, many companies and taxpayers are overlooking a $40 billion cache of money that’s already theirs.

What are escheatable funds?

Unclaimed or abandoned property, more formally known as escheatable funds, is a broad term that defines property or accounts held by a business for which there has been no activity generated or contact with the rightful owner for a specified period of time. Following this designated period of inactivity, called the dormancy period, the property becomes “unclaimed” and by law must be turned over to the state. All 50 states have unclaimed property statutes, the purpose of which is to avoid an unjust enrichment of holder-companies and to reunite owners with their “lost” property. States are obligated to hold the abandoned property in trust until the rightful owner claims it. Annually, businesses abandon more than a billion dollars, with a significant portion never being claimed, thus leaving states with a collective holding estimated at over $40 billion.

What are the most common types of escheatable funds?

Unclaimed property can be intangible, which is the most common (e.g., insurance policies), or tangible (e.g., safety deposit box contents). Some of the most common forms of unclaimed property include:

- Uncashed wages and payroll
- Accounts receivable credit balances
- Customer deposits and overpayments

- Uncashed dividend and interest checks
- Unredeemed money orders and gift certificates
- Unclaimed tax refunds
- Money orders and traveler's checks
- Utility deposits

Which state is holding my money?

Each state has its own provisions guiding the reporting of unclaimed property. However, the United States Supreme Court has established a hierarchy with respect to which state has priority when it comes to the holding of the unclaimed funds. The first priority is the state in which the payee of the obligation is located. Accordingly, if a business located in New York City issues a payroll check to an employee who lives in New Jersey, and that check is not cashed within the requisite dormancy period, such wages are remitted to New Jersey's Unclaimed Property Administration.

If the address of the payee is not known, the second priority under the Supreme Court's rules is the state of incorporation of the holder-business. Since so many public and private companies – estimated at over 1.3 million – are incorporated in Delaware, an abundance of unclaimed property is reported there pursuant to this hierarchy rule. By way of example, if a Pennsylvania business that is incorporated in Delaware is holding onto a customer's deposit and is unable to locate the business or its representative, the deposits should be forwarded to Delaware's Office of Unclaimed Property for safekeeping.

How do I get my money back?

Most states make it easy to check for unclaimed property. States maintain searchable databases of escheated funds and routinely perform due diligence to return the property to its rightful owners. However, because of the Supreme Court's priority rules and varying degrees of accuracy of business records, it is common for one to have unclaimed property in multiple states, especially if they have moved or done business in other states.

If you have questions regarding money that you've lost or require assistance in recovering money that is rightfully yours, please contact Alan Goldenberg, Leader of Anchin's State and Local Tax (SALT) group at alan.goldenberg@anchin.com, or your Anchin Relationship Partner.