Unclaimed Property

Billions of dollars' worth of property deemed unclaimed by their owners are held by states in the U.S. Unclaimed property, also known as escheatable funds, refers to tangible or intangible property that was abandoned or forgotten by its rightful owners. When the owner fails to contact or claim these assets within a certain time period, they are considered unclaimed property. All 50 states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands have enacted unclaimed property laws. These laws aim to safeguard unclaimed property and ensure that the rightful owners can eventually recover their assets.

When does an item become unclaimed property?

An item becomes unclaimed property when it is held in the ordinary course of business and remains unclaimed for more than the statutory dormancy period. The dormancy period is the period of time, according to state law, that must pass since an owner generated any action with respect to their property. Below are some of the more common types of unclaimed property.

Common Types of Unclaimed Property

- Accounts payable or vendor checks
- Wages, payroll, or commissions
- Gift certificates or cards
- Customer merchandise credits, layaways, deposits, refunds, or rebates
- Loyalty programs
- Security deposits
- Escrow accounts
- Unpaid retirement account distributions
- Annuities and life insurance contracts
- Unidentified cash or miscellaneous income

How can you find and claim unclaimed property?

Claiming unclaimed property is a relatively simple process. Most states have established online databases where individuals can search for their unclaimed assets by entering their name and other relevant information. If a match is found, the owner can initiate a claim by providing proof of identity and ownership. The state agency will verify the claim and, upon approval, facilitate the return of the assets to the rightful owner.

Reporting Obligation

The priority rules established in the 1965 U.S. Supreme Court case *Texas v. New Jersey* play a vital role in determining the appropriate jurisdiction for property escheatment. These rules facilitate the allocation of property or its cash value in the following manner:

- **Primary Rule:** Property escheats to the state of the payee's last-known address according to the holder's records.
- **Secondary Rule:** If the payee's address is unknown, the property escheats to the company's state of incorporation or organization.

Each state has specific rules regarding when unclaimed property reports must be filed and the due diligence efforts that must be undertaken prior to remitting such funds. Failing to comply with escheatable fund laws can result in significant penalty assessments. Incentive programs targeting those out of compliance can help avoid penalties and return a holder to good standing with the respective state.

While unclaimed property itself is not a type of taxation, accurate reporting of unclaimed property remains a crucial compliance requirement to navigate. By understanding and addressing these considerations, organizations can effectively meet their obligations and maintain adherence to unclaimed property regulations.

Contact Anchin Today!

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