

Florida Department of Financial Services

Division of Unclaimed Property

Holder Education Workshop

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What is Unclaimed Property?

Unclaimed Property is Not a Tax

- Tax law relates to property belonging to the business.
- Tax reports are filed in the state with a “nexus”
- Destination for taxes: State
- Unclaimed property belongs to the owner.
- Unclaimed property reports are filed with the state of owner’s last known address.
- Destination for UP: return to rightful owner.

Common Types of Property

- Payroll checks
- Accounts payable checks
- Refund checks
- Cashier checks
- Insurance proceeds
- Securities
- Money orders
- Accounts receivable credit balances
- Utility deposits
- Bank accounts
- Travelers checks
- Safe deposit contents

History of Unclaimed Property Law

- The National Conference of Commissioners of Uniform State Laws proposed the first Uniform Disposition of Unclaimed Property Act in 1954 and it has been revised in 1966, 1981 and 1995
- Florida's Unclaimed Property Act is modeled after the 1981 Uniform Act
- Department of Financial Services administers Chapter 717, F.S., "Disposition of Unclaimed Property"

Unclaimed Property Law Rationale and Premise

Rationale for the Unclaimed Property Law

The State can best preserve and protect the interest of the rightful owner and possibly reunite the owner with this forgotten property

Premise of the Unclaimed Property Law

Reunite the property with its rightful owner

Benefits of Unclaimed Property Laws

- Establishes a system in which an obligation due an owner can be removed from the company's books and records forever
- Transfers custody and liability to the State
- Indemnifies the entity transferring custody
- Protects the property owners interest

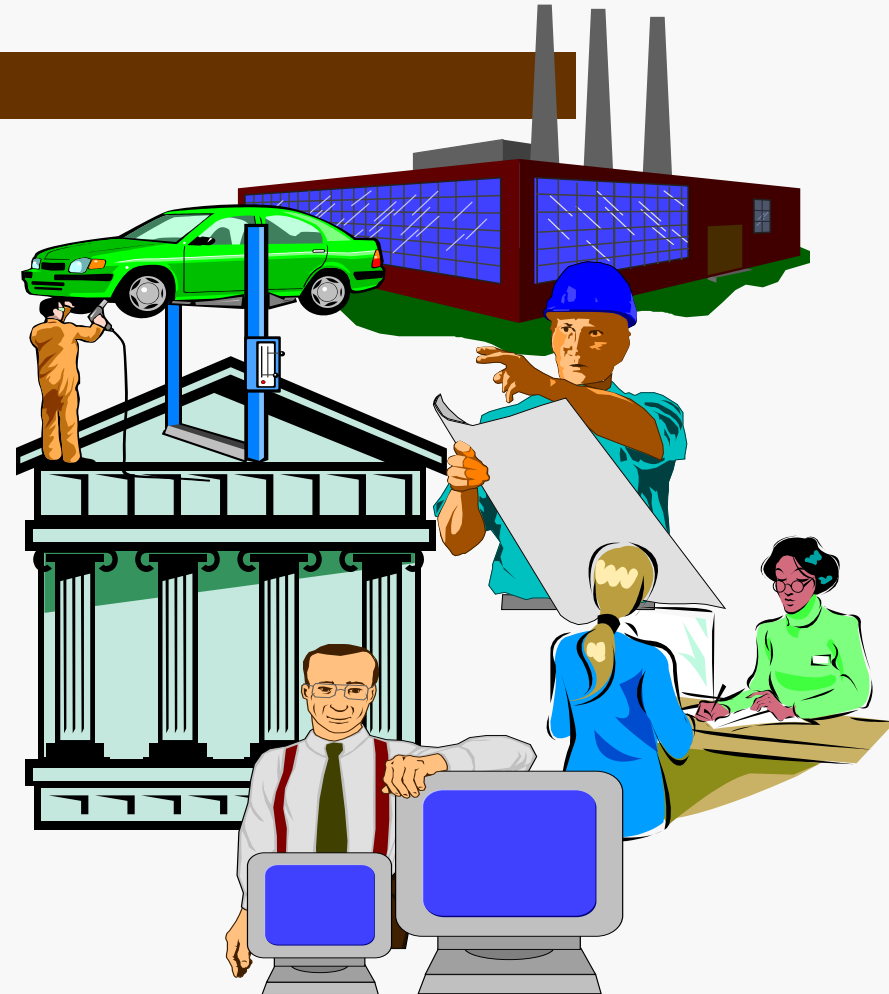
Most Common Unclaimed Property Myths

- Myth #1 –My organization does not have any unclaimed property
- Myth #2 – My organization is only required to report to states in which I conduct business
- Myth#3- Unclaimed property reporting is voluntary



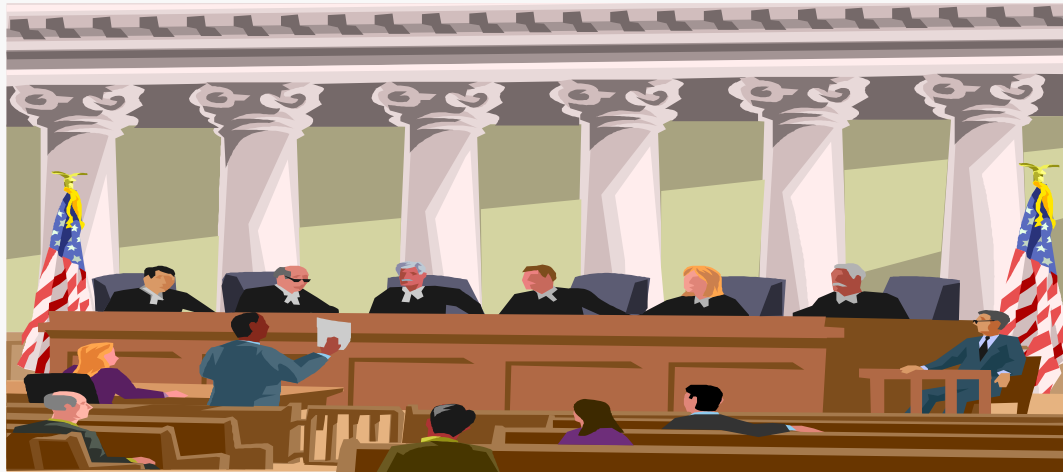
UNCLAIMED PROPERTY REALITY #1

- Practically ALL companies have an unclaimed property liability.
 - Any entity in possession of property belonging to another is potentially a **HOLDER** of unclaimed property



UNCLAIMED PROPERTY REALITY # 2

- Unclaimed Property is reportable pursuant to the “rules of jurisdiction” as set forth by the U.S. Supreme Court



UNCLAIMED PROPERTY REALITY # 3

- 717.113, F.S. Property held by courts and public agencies.—All intangible property held for the owner by any court, government or governmental subdivision or agency, public corporation, or public authority that has not been claimed by the owner for more than 1 year after it became payable or distributable is presumed unclaimed.

UNCLAIMED PROPERTY REALITY # 3

- 197.473, F.S. Disposition of unclaimed redemption moneys.—Money paid to the tax collector for the redemption of a tax certificate or a tax deed application that is payable to the holder of a redeemed tax certificate but for which no claim has been made, or that fails to be presented for payment, is considered unclaimed as defined in s. 717.113 and shall be remitted to the state pursuant to s. 717.117.

UNCLAIMED PROPERTY REALITY # 3

- 43.19, F.S. Money paid into court; unclaimed funds.—(1) In every case in which the right to withdraw money deposited as hereinbefore provided has been adjudicated or is not in dispute and the money has remained so deposited for 5 years or more unclaimed by the person, firm, or corporation entitled thereto, on or before December 1 of each year the judge, or one of the judges, of the court shall direct that the money be deposited with the Chief Financial Officer to the credit of the State School Fund, to become a part of that fund, subject to the right of the person, firm, or corporation entitled thereto to receive the money as provided in subsection (3).

UNCLAIMED PROPERTY REALITY # 3

- 338.231(3)(c), F.S. Turnpike tolls, fixing; pledge of tolls and other revenues - Notwithstanding any other provision of law to the contrary, any prepaid toll account of any kind which has remained inactive for 3 years shall be presumed unclaimed and its disposition shall be handled by the Department of Financial Services in accordance with all applicable provisions of chapter 717 relating to the disposition of unclaimed property, and the prepaid toll account shall be closed by the department.

What Happens to the Property?

- All funds received are deposited into the State School Trust Fund
- Funds held in perpetuity for owner



Holder Responsibilities

- Identify potential unclaimed property
- Perform due diligence
- File an annual report and remit the property
 - Report and Remit Issues
- Keep adequate supporting records

Identify Potential Unclaimed Property

- Dated/outstanding liability or obligation
- Where to report property
- Unclaimed property laws vary between states

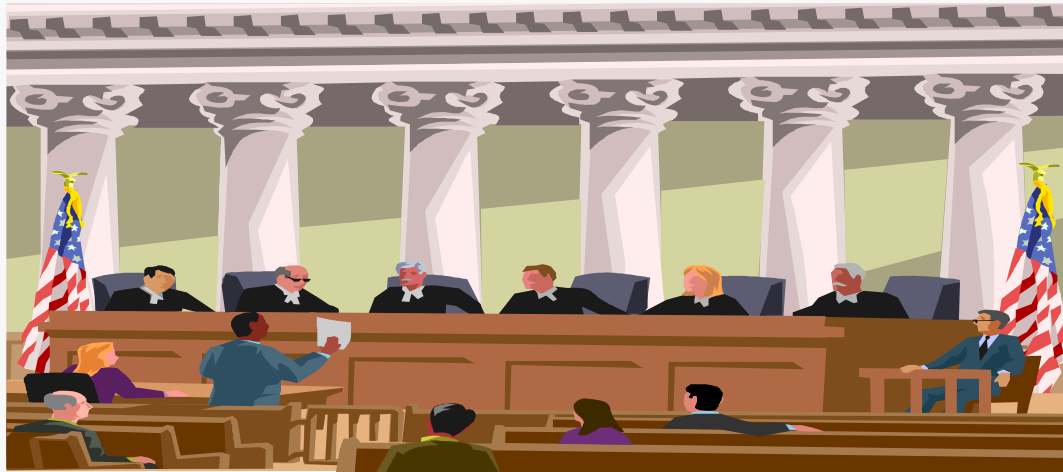
Dated/Outstanding Liability

- No owner-generated activity.
- The owner has not otherwise indicated an interest in the account.
- The owner does not have another relationship where there has been owner-generated activity



Where to Report Property

- Unclaimed Property is reportable pursuant to the “rules of jurisdiction” as set forth by the U.S. Supreme Court



RULES OF JURISDICTION

- *Texas v. New Jersey* (1965)
 - State of owner's last known address, if known
 - State of holder's incorporation or domicile if address not known
- *Pennsylvania v. New York* (1972)
 - Money orders, travelers checks and similar written instruments. (upheld previous decision)
- *Delaware v. New York* (1994)
 - Upheld previous decisions

Unclaimed Property Laws Vary Between States

- Property dormancy period
- Due diligence requirements
- When to report
- How to report

Property Dormancy Period

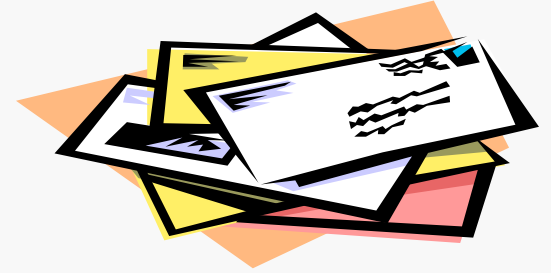
- Determines when property becomes unclaimed
- Dormancy periods will vary among states
- Florida - most property has a 5 year dormancy period
- Governmental entities - all property has 1 year dormancy period

Florida Dormancy Periods

- One Year
 - Utility Deposits
 - Wages, Bonus, Commissions
 - Deposits with Courts
- Five Year
 - Accounts Payable
 - Escrow/Fiduciary Funds
 - Expense Checks
 - Refund/Royalties
 - Vendor Checks
 - Checks Written Off
 - Checking, Savings Accounts
- Two Year
 - Trust Instruments
- Three Year
 - Safe Deposit Contents
 - Stock
 - Mutual Funds
 - Dividends
- Seven Year
 - Money Orders
- Fifteen Year
 - Travelers Checks

Aging Property

- Age from the date “payable” to the owner
- Reissuing a check does not start the dormancy period over
 - Unless reissue is based on positive owner contact

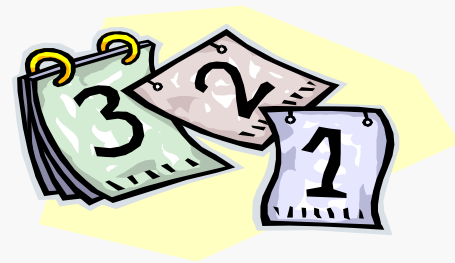


Holder Due Diligence

- Due diligence is the process of locating apparent owners of dormant property on a holder's books and records
- Why practice due diligence?
 - Increases goodwill
 - Reestablishes communication with customer

Due Diligence Requirement

- For property valued at \$50 or more, the holder shall send written notice to the owner at the owner's last known address not more than 120 days and not less than 60 days prior to filing the report



Tips for Effective Due Diligence

- Allow enough time for response
- Requirement will vary among states
- Notify owners by first-class mail
- Make the letter easy to understand and the purpose of the letter obvious
 - Clearly state purpose of letter
 - Include a deadline for receipt of the response
 - Indicate what will happen if response is not received
 - Provide company contact information for customer questions

Due Diligence Checklist

- **Verify owner:**
 - has not increased or decreased account
 - has not written concerning the property
 - has not indicated an interest in the property
 - does not own other active accounts
 - is not a current employee
 - Is not a public figure



Filing the Report



File an annual report & remit property

- When to report
- How to report
- Best reporting practices
- Common Reporting Errors
- Data Integrity Issues
- Reciprocal reporting

When to Report

- Reporting deadline is **April 30** for property that has reached its dormancy period during the previous calendar year ending **December 31**.
 - Property that reaches the required dormancy period between January 1, 2016 and December 31, 2016 must be on the report due by April 30, 2017.



Creating & Filing Annual Report

- Electronic Reporting Required

Purpose of Electronic Reporting

- How we do business and manage our personal lives in the 21st Century
- Shorten the time that it takes to process holder reports
- Reduces errors
- Less misspellings
- Mandated by law



Creating the Electronic Report

Electronic Reporting Required

- NAUPA format required (UPExchange, HRS Pro)
- Reporting software at www.fltreasurehunt.org
- Online Reporting Application at www.fltreasurehunt.org under the Report and Remit Unclaimed Property link
- Customize your own in-house programs/ software
- Use service providers that are unclaimed property specialists



Accessing Reporting Software

- [Http://www.fltreasurehunt.org](http://www.fltreasurehunt.org)
 - Click on **Report and Remit Unclaimed Property link**
 - Found under the **Prepare Report** tab then click on **Electronic Reporting Software link**

Filing Report - Florida Online Reporting System

- Register to Use the Florida UP System
- Submit/ Upload Your Unclaimed Property Report
- Payment

Register to Use the Florida UP System

- Go to our website www.floridatreasurehunt.org and select the Report and Remit Unclaimed Property Link
- Under the Online Filing tab select the Register Link

Florida Registration Requirements

- You must be an active holder in our system
- You must have your Unclaimed Property Identification Number (UPID) issued by the Department
- You must have your Federal Employer ID number (FEID) that is associated with the UPID in our system

Please contact the Department at Ereporting@myfloridacfo.com if you do not know the UPID for your organization

Review and Update Contact Information

- After registration you will be required to verify and update the contact information for the reporting entity.

Submit/ Upload Your Unclaimed Property NAUPA format (.txt) Report

The system allows for three filing options:

- Upload Electronic File(s)
- Input Report(s) Manually
- Input Zero Report(s)

Upload Electronic File(s)

- This option is used to submit unclaimed property report(s) that are in the NAUPA text format and ready to be uploaded.

Important: Files that are not in the NAUPA standard text format will not be accepted.

Note: the file extension should be .TXT

Input Report(s) Manually

- This option allows for the manual input of reports with less than 25 properties.

The NAUPA file is not required in this instance.

Please ensure you enter the report year and NOT the current year.

Input Zero Report(s) Manually

- This option allows for the manual input of zero reports where the entity does not have unclaimed property to report.

The NAUPA file is not required in this instance.

Please ensure you enter the report year and NOT the current year.

Payment

There are three payment options:

- Pay Online – via a secure banking website without any fees or charges
- Pay through Wire Transfer – mail coupon separately.
- Pay by Check – mail check with coupon

Florida Online Reporting System Resources

A comprehensive manual is located at the following link:

<https://www.fltreasurehunt.org/files/OnlineFilingTutorial.pdf>

Reporting Best Practices

- Provide *all* required information on the report
 - Full name and last known address (if known) for all owners
 - Social security number or Tax ID
 - Date of birth
 - Last transaction date
- Use correct property, owner and relationship codes
- Review reports thoroughly for accuracy and completeness prior to submission

Reporting Best Practices

- Be sure the total amount on the report and the amount on the check match
 - one check for all cash property on the report
 - Make check payable to “The Florida Department of Financial Services”
- Provide contact information for the person who can best answer questions about the report

Common Reporting Errors

- Reporting property too early
 - Learn and keep updated on:
 - due dates
 - report cycles
 - dormancy period
- Incorrect file format
 - Manual Input - property limits
 - Not in NAUPA format

Common Reporting Errors Cont'd

- Invalid property type codes
- Invalid date of last transaction
- Invalid joint owners/relationship codes
- Lack of social security number
- Not following state specific requirements

Data Integrity Issues

- **Incomplete Owner Names**
 - Conversion from Internal Applications to Reporting Software
- **Business Name is Incorrectly Formatted**
- **Inaccurate Last Address**
 - Ex. “DO NOT MAIL”, “P.O. Box 9999”
- **Social Security Number Duplicated on Report for Different Owners**

Reciprocal Reporting

The process whereby states who routinely accept property belonging to other states annually forward that property to the appropriate states.

- Holders may report incidental unclaimed property belonging to other specific states to Florida. Incidental:
 - **10 owners or less**
 - **Under \$1,000.00**
- Must follow reciprocal states UP Laws

Reciprocity Considerations

- Property must be remitted and reported per the laws of the *Entitled State*, not the *Receiving State*
- *Receiving State* cannot indemnify the holder for property not belonging to that state
- Arkansas, California, Nevada, New Jersey and Wyoming do NOT allow reciprocity reporting due to specific state requirements



RECIPROCITY IS NOT INTENDED FOR:

- Reporting most, if not all, property to a state solely on the basis of that state's willingness to accept property for a lot of other states.
- Reporting past due property to a state other than the *Entitled* state to avoid penalties and interest.
- Reporting to a state other than the *Entitled* state because you like its laws better.



NO

Reciprocity Matrix

www.unclaimed.org

COMPLIANCE RESOURCES SECTION

FREE COMPLIANCE TOOLS LINK

REPORTING RESOURCES SECTION

Actions Holder Can Take

- Develop an unclaimed property program
- Prepare an unclaimed property manual
- Establish written procedures
- Conduct internal training
- Identify personnel responsible for preparation of reports
- Develop strong internal control

Actions Holder Can Take

- Utilize internal audit function
- Monitor stale dated checks
- Balance general ledger liability to unclaimed property database
- Procure technical assistance
- Monitor changes in unclaimed property laws
- Identify unclaimed company assets held by third parties

Actions Holder Can Take

- Utilize computer systems that track the date of last contact with the account owner
- Include escheatment information in company newsletters
- Make address change forms available – be prompt updating your systems
- Perform due diligence
- Communicate with owners

Need More Information?

- www.fltreasurehunt.org
 - Report and Remit Unclaimed Property link
- EReporting@MyFloridaCFO.com
- Reporting Customer Service 850-413-5522

Unclaimed Property Voluntary Compliance Programs

- Voluntary Compliance Self-Audit Program
- Voluntary Disclosure Program

Voluntary Compliance Self-Audit Program

- Qualifications to Participate
- State of Florida Auditor Assisted
- Ten year look-back period
- Penalty/Interest Abatement

Voluntary Disclosure Program

- **Qualifications to participate**
- **Legal agreement**
- **A detailed plan outlining the disclosure process must be supplied**
- **Ten year look-back period**
- **Penalty/Interest Abatement**

Division of Unclaimed Property Efforts to Inform the Public

- Education outreach through public speaking events, seminars and workshops
- Information guides to unclaimed property
- Enhanced website
 - www.fltreasurehunt.org
- One-on-one training
- Written, telephone and e-mail correspondence

QUESTIONS?

