UNCLAIMED PROPERTY: ANNUAL COMPLIANCE UPDATE

September 17, 2019
With you today

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Agenda

- Unclaimed Property Overview
- Compliance Essentials
- Unclaimed Property Compliance Process
- Common Compliance and Reporting Issues
- New Developments
  - RUUPA Overview
  - Delaware Compliance Review
  - Illinois Updates
  - Other State Updates
- Compliance Best Practices
- Ways to Mitigate UP Exposure
- Q&A
- Bios
Unclaimed Property Overview
UNCLAIMED PROPERTY INTRODUCTION

General Information

► All 50 states and the District of Columbia have enacted unclaimed property laws.

► The purpose of unclaimed property laws is to ensure the protection of abandoned property until the rightful owner is located. Moreover, states use any derivative funds earned on such property for the public good.

► States actively pursue unclaimed property as an additional source of revenue for the state, which avoids raising taxes.

► States’ unclaimed property laws apply to all entity types, including:
  • Corporations
  • S Corporations
  • Partnerships
  • Limited Liability Companies
UNCLAIMED PROPERTY VS. TAX

What are the Differences?

Unclaimed property is not considered a tax.

- Nexus does not apply
- No apportionment or allocation methods utilized
- Filing deadlines vary from state to state
- Statute of limitations
- Use of Contract Auditors (paid on a contingency fee)
- Records Retention Requirements
What is Unclaimed Property?

- Generally intangible personal property for which there has been no owner activity for a specified period of time (“dormancy period”).

Examples of unclaimed property:
- Uncashed payroll or commission checks
- Uncashed payable/vendor checks
- Gift certificates/gift cards
- Customer merchandise credits, layaways, deposits, refunds or rebates
- Overpayments/unidentified remittances
- Suspense accounts
- Unused/outstanding benefits (non-ERISA)
- GR/IR (Goods received, not invoiced)
- Miscellaneous income/bad debt expense accounts
UNCLAIMED PROPERTY INTRODUCTION

Where Do I Report Unclaimed Property?

The Supreme Court of the United States in *Texas v. New Jersey*, established the following unclaimed property sourcing rule:

- First, to the state of the rightful owner’s last known address, if known, or
- Second, to the state of the holder’s incorporation (commercial domicile for unincorporated entities).

Priority rules in *Texas v. New Jersey* were upheld in the subsequent cases *Pennsylvania v. New York* (escheat of money orders) and *Delaware v. New York* (unclaimed dividends and interest).

Although not sanctioned by the Court, some states have adopted a “transactional or throwback rule,” which provides that if both the state of the owner’s last known address and the state of the holder’s incorporation decline or fail to exercise jurisdiction over the unclaimed property, then the state in which the transactions giving rise to such property occurred has the right to claim the property.
COMPLIANCE ESSENTIALS
FALL REPORTING DEADLINES

Reporting deadlines vary by state. Below are the differences in reporting deadlines for the Fall filing states:

<table>
<thead>
<tr>
<th>Due October 31st</th>
<th>Due November 1st</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>Nevada</td>
</tr>
<tr>
<td>Arizona</td>
<td>New Jersey</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Oklahoma</td>
</tr>
<tr>
<td>California (Notice Report)</td>
<td>South Carolina</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>Virgin Islands</td>
</tr>
<tr>
<td>Louisiana</td>
<td>Washington</td>
</tr>
<tr>
<td>Maryland</td>
<td>West Virginia</td>
</tr>
<tr>
<td>Minnesota</td>
<td></td>
</tr>
<tr>
<td>Mississippi</td>
<td></td>
</tr>
</tbody>
</table>
REPORTING DEADLINES

Unclaimed property reporting deadlines vary by industry type as well:

<table>
<thead>
<tr>
<th>State</th>
<th>Type of Company</th>
<th>Reporting Deadline</th>
<th>Type of Company</th>
<th>Reporting Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delaware</td>
<td>Financial Institutions</td>
<td>November 10th</td>
<td>Corporations</td>
<td>March 1st</td>
</tr>
<tr>
<td>Texas</td>
<td>All Companies</td>
<td>July 1st</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>California</td>
<td>Life Insurance</td>
<td>Preliminary (April 30(^{th})) Final (December 1(^{st}))</td>
<td>All Others</td>
<td>Preliminary (October 31(^{st})) Final (June 1(^{st}))</td>
</tr>
</tbody>
</table>
DORMANCY PERIODS

“Dormancy Period”: A statutorily prescribed period that begins from the date of creation of the property type (e.g., check issuance date) and ends after the passage of a certain number of years (typically 1-5 years). Property becomes presumed abandoned when it has remained unclaimed (i.e., a holder cannot demonstrate affirmative owner contact with respect to the property at issue) during the statutory dormancy period.

Below is an example of how dormancy periods can vary by property type:

<table>
<thead>
<tr>
<th>STATE</th>
<th>ACCOUNTS PAYABLE (MS08)</th>
<th>ACCOUNTS RECEIVABLE (MS09)</th>
<th>PAYROLL (MS01)</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>New York</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Virginia</td>
<td>5</td>
<td>5</td>
<td>1</td>
</tr>
</tbody>
</table>

Refer to the each state’s filing instructions to determine the appropriate NAUPA code associated with the property type to be filed. Based on the NAUPA code, various dormancy periods will be applicable.
DUE DILIGENCE REQUIREMENTS

Prior to reporting unclaimed property to the state, most jurisdictions require companies to reach out to owners of the property via a due diligence letter as a last-ditch effort to reunite the owner with their property.

Although due diligence requirements vary from jurisdiction to jurisdiction, there are certain aspects of these requirements that all companies should be aware of:

- Due diligence $ threshold
- Timing of mailing due diligence letters - (e.g. 60-120 days prior to reporting the amount over to the state)
- Requirement to issue multiple notifications - (e.g. New York)
- Specific due diligence letter requirement - (e.g. California)
FALL DUE DILIGENCE REQUIREMENTS

<table>
<thead>
<tr>
<th>STATE</th>
<th>MINIMUM DDL THRESHOLD AMOUNT</th>
<th>NOT MORE THAN __ DAYS FROM FILING</th>
<th>NOT LESS THAN __ DAYS BEFORE FILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>$50.00</td>
<td>120</td>
<td>60</td>
</tr>
<tr>
<td>Arizona</td>
<td>$50.00</td>
<td>365</td>
<td>120</td>
</tr>
<tr>
<td>Georgia</td>
<td>$50.00</td>
<td>120</td>
<td>60</td>
</tr>
<tr>
<td>Iowa</td>
<td>$50.00</td>
<td>120</td>
<td>30</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$100.00</td>
<td>120</td>
<td>60</td>
</tr>
<tr>
<td>Missouri</td>
<td>$50.00</td>
<td>365</td>
<td>30</td>
</tr>
<tr>
<td>Nebraska</td>
<td>$50 (Formerly $25.00)</td>
<td>120</td>
<td>60</td>
</tr>
<tr>
<td>Ohio*</td>
<td>$50.00</td>
<td>120</td>
<td>30</td>
</tr>
<tr>
<td>Virginia</td>
<td>$100.00</td>
<td>120</td>
<td>60</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$50.00</td>
<td>120</td>
<td>60</td>
</tr>
</tbody>
</table>

* Send through first class mail for amounts with a balance equal to $50.00 and less than $1,000. If amount is greater than $1,000, the DDL must be sent by certified mail, return receipt request.
COMMON HOLDER MISUNDERSTANDING

Aggregate Reporting

- Most jurisdictions allow companies to aggregate the small dollar amount items into one lump sum on the annual report.
- This can range from $25 to $250 depending on the State.
- Aggregate reporting should not be confused with deminimus amount reporting.
- Only a few States have a deminimus reporting exemption and it may only apply to specific property types. All other states - all property is due regardless of the amount, even a penny.
- Aggregate reporting is not recommended - Detail to aggregate report must be retained. If it is lost and not available upon a state audit, Company may end up paying twice.
USE OF NAUPA CODES

NAUPA codes are a set of standardized codes used by jurisdictions to determine the type of property that is being reported to the state (e.g. payroll, vendor checks, etc.)

NAUPA codes are also key in determining when the property is due.

Holders may struggle at times determining what is the appropriate code to use when reporting certain types of properties.

In situations where selecting a NAUPA code is not straightforward, holders should consider the following:

- Have I narrowed the list of NAUPA codes to a selected few? If so, what is the impact of choosing one code over another?
- Have I contacted the state’s compliance hotline to seek guidance on what NAUPA code to use?
- Is there a legal question as to what type of code should be chosen; if so, have I reached out to internal or external counsel on this issue?
UNCLAIMED PROPERTY COMPLIANCE PROCESS
TYPICAL COMPLIANCE PROCESS
6-Step Process

- Step 1 - Kick-off meeting, role assignment, determination of compliance reporting strategy & payment set-up
- Step 2 - Compilation of reportable transactions
- Step 3 - Identification of exemptions/deductions
- Step 4 - Due diligence notification letters
- Step 5 - Reconciliation of amounts provided
- Step 6 - Reporting and remitting funds to the various jurisdictions
Sample Escheat Compliance Timeline

See the following sample timeline for Fall and Spring filings. This timeline can be modified accordingly to meet your needs.

**Fall Compliance**
- May 15: Company response to data request
- June 1: Data Request
- June 30: Validate data and ID exemptions
- July 1 - August 15: Due diligence letters sent and responses tracked
- August 30: Reissue checks
- Sept 16 - Oct 7: Prepare reconciliation and send to Company
- Oct 15: Prepare UP reports & check request
- Oct 20: Reports and checks to BDO
- Nov 15: Reports to states
- Nov 1 - Nov 30: Due Diligence
- Dec 1 - Dec 31: Compile DDL Responses
- Jan 1 - Jan 31: Client to review Spring Data Set
- Feb 1 - Feb 15: Prepare UP reports & check request
- Feb 20: Reports and Checks to BDO
- Feb 28: Reissue checks
- May 1 - July 1: Reissue checks
- June 15: Upload electronic copies to Client Portal

**Spring Compliance**
- Nov 1 - Nov 30: Due Diligence
- Dec 1 - Dec 31: Compile DDL Responses
- Jan 1 - Jan 31: Client to review Spring Data Set
- Feb 1 - Feb 15: Prepare UP reports & check request
- Feb 20: Reports and Checks to BDO
- Feb 28: Reissue checks
- May 1 - July 1: Reissue checks
- June 15: Upload electronic copies to Client Portal
Common Compliance and Reporting Issues
Top Common Compliance Mistakes

- Using the wrong time period for reporting - Includes too many items in a report or does not capture all the required reportable items for a given report cycle.

- Using the wrong property type code - Using the incorrect property type code could lead to incorrect reporting of property due to different dormancy periods being used for different property type codes.
  - It could also lead to the application of the available exemptions.

- Not realizing that foreign addressed items needs to be included in reporting and should be escheated to the state of incorporation.

- Holders not taking advantage of exemptions or deductions.

- Holders not realizing that not all states utilize a fall report deadline and that about 1/5 of the states use a different report deadline than Oct 31/Nov 1.
Common Reasons States Reject Annual Reports

Certain states require specific information to be included on their annual reports or be submitted in a certain format or they will reject the reports. The following are some examples:

- California and Florida both require Social Security Numbers be provided for payroll property included on their annual reports.
- Tennessee requires that the NAICS code be included in their upload file for it to be accepted.
- Tennessee, Washington, District of Columbia and Delaware are a few examples of states that will only accept reports that are uploaded to their respective state portals.
- Certain states such as Texas, Arkansas and Oklahoma require well name, well number and well location be included for mineral royalties.
- Several States will Reject a Report if Payment is not made electronically such as Alabama, Nevada, and Tennessee.
New Developments
RUUPA Overview
RUUPA Overview

Background

Four significant changes in RUUPA:

- **RUUPA clarifies which types of intangible property are covered.** The following types of intangible property are now specifically included: virtual currency, payroll cards, stored-value cards, municipal bonds, health savings accounts, commissions, employee reimbursements, and custodial accounts for minors.

- **RUUPA provides specific dormancy periods.** RUUPA establishes dormancy periods for many types of property for the first time. For example, RUUPA provides for a three-year dormancy period for health savings accounts, custodial accounts for minors, payroll card accounts, and stored-value cards. Similarly, there is a one-year dormancy period for a commission or reimbursement owed to an employee.

- **RUUPA expands remedies for holders.** A holder has several remedies after an examination by an administrator, including informal conferences between a holder and the administrator as well as administrative and judicial review.

- **RUUPA includes additional information security provisions.** New rules for protection and use of confidential information, including when confidential information may be disclosed. RUUPA also includes security-breach notification and response requirements.
RUUPA Overview
State Adoption & Current Consideration Map

Courtesy of the Uniform Law Commission
https://www.uniformlaws.org/committees/community-home?CommunityKey=4b7c796a-f158-47bc-b5b1-f3f9a6e404fa
RUUPA Overview
Extrapolation

- Administrators are required to adopt rules governing extrapolation.
- Extrapolation is permitted if the holder fails to maintain records. The official comment cites to the *Temple-Inland* decision noting limitations on the use of estimates during an examination.
- Estimates cannot be used unless the holder expressly consents.
RUUPA Overview

Record Retention

RUUPA includes a 10-year record retention policy and the records must include:

- all information required to be included in the holder’s annual report;
- the date, place, and nature of the circumstances that gave rise to the property right;
- the amount or value of the property;
- the last address of the apparent owner, if known to the holder; and
- if the holder sells, issues, or provides to others for sale or issue in the state traveler’s checks, money orders, or similar instruments, other than third-party bank checks, on which the holder is directly liable, a record of the instruments while they remain outstanding indicating the state and date of issue.
RUUPA Effects

Colorado SB 19-088

Signed by the Governor on April 16, 2019; Effective July 1, 2020

- Repeals Colorado’s current $25 de minimis reporting deduction, which allows holders to deduct and retain 2% of the value or $25 (whichever is greater) per item of unclaimed property reported and delivered to the state treasurer.
- Changes to dormancy period
RUUPA Effects

Tennessee HB 420 and HB 2278
*Effective May 25, 2017; Effective May 4, 2018, respectively*

- Reduction from five to three years in the dormancy periods for most property types
- Providing for an [electronic mail notice](#). (If an owner has consented to receive electronic communications from the holder, notice must be sent by both first-class mail and electronic mail, unless the holder has reason to believe that the electronic address is invalid.)
- Required report dates shifted from May 1 in 2018 to November 1 in 2019 and years thereafter, the date by which the holder of abandoned property must file a report with the State regarding the property.
- The next report due to Tennessee must cover property held for the period from January 1, 2018, through June 30, 2019 (i.e., 18 months), and must be filed before November 1, 2019.
- Thereafter, the report must be filed before November 1 of each year and must cover the twelve (12) months preceding July 1 of that year.
Delaware Update
Delaware Compliance Review Program

Effective March 1, 2018, Delaware enacted a new compliance review program which seeks to review the annual compliance reports for reasonableness, based on:

- company size
- Industry
- filing history

- The reviews are expected to be completed by a combination of state employees and outside 3rd party auditing firms (reviewers).
- If the reviewers feel the report is inaccurate, under-reported, missing property types, etc., the reviewers can contact the company to ask questions and request records for that filing period.
- If deficiencies are found, this could lead to other adverse consequences.
- A copy of written policy and procedures will be requested by the reviewers.
## Unclaimed Property Introduction

### IL Dormancy Period

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Dormancy Period Pre SB9</th>
<th>New Dormancy Period</th>
<th>Citation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>5 years</td>
<td>3 years</td>
<td>Old Provision: 765 ILCS 1025/2a (a)(5),(7) New Provision: Section 15-201 (7)</td>
</tr>
<tr>
<td>Securities</td>
<td>5 years</td>
<td>3 years or 5 years</td>
<td>Old Provision: 765 ILCS 1025/4 New Provision: Section 15-208</td>
</tr>
<tr>
<td>Payroll</td>
<td>1 years</td>
<td>1 years</td>
<td>Old Provision: 765 ILCS 1025/2a (c) New Provision Section 15-201 (13)</td>
</tr>
<tr>
<td>Accounts Payable &amp; Disbursements</td>
<td>5 years</td>
<td>3 years</td>
<td>765 ILCS 1025/2 (a)(6) New Provision: Section 15-201 (5),(15)</td>
</tr>
<tr>
<td>All other property</td>
<td>5 years</td>
<td>3 years</td>
<td>Old Provision: 765 ILCS 1025/9 New Provision: Section 15-201 (15)</td>
</tr>
</tbody>
</table>
Unclaimed Property Introduction

IL Address Determination

General Address Rules (section 15-301 - 303)

- “Last known name and address” of apparent owner is any description, code, or other indication of the location of the apparent owner which identifies the state, even if the description, code or indication of the location is not sufficient to direct the delivery of first class US mail to the apparent owner.
  - IL full address = IL address
  - IL not full address but one of three factors above is to IL = IL address
  - IL Zip code = IL address (unless other records suggest address in another state)
  - IL government determined via its records the owner is in IL = IL address

If multiple addresses on holder books

- Most recent address wins
- If most recent address is temporary address, then next most recent address

Life Insurance/Beneficiaries

- For life insurance - address is of the insured or annuitant
- For beneficiary items - address of the beneficiary (followed by deceased owner address)
## Illinois UP Law Change

### Exemptions

<table>
<thead>
<tr>
<th>Provision Pre SB9</th>
<th>New Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary</strong> - B2B exemption allowed and gift cards exempt</td>
<td><strong>Summary</strong> - No B2B exemption - “Property” definition excludes:</td>
</tr>
<tr>
<td>Gift cards exempt if:</td>
<td>1. Game related digital content</td>
</tr>
<tr>
<td>1. No expiration date</td>
<td>2. Loyalty card (no monetary consideration provided)</td>
</tr>
<tr>
<td>2. No dormancy or inactivity fee</td>
<td>3. Gift card (includes prepaid commercial radio service)</td>
</tr>
<tr>
<td>3. Redeemable for merchandise only</td>
<td>4. In Store Merchandise credit (returned for goods)</td>
</tr>
<tr>
<td>Other rules applied if gift cards issued before 1/1/2005. Didn’t address treatment of reloadable store value cards or similar instruments</td>
<td>Net card value of store value card (“SVC”) is presumed abandoned 5 years after certain events transpire.</td>
</tr>
<tr>
<td>765 ILCS 1025/10.6</td>
<td>• To the extent a store value card is a gift card then could be exempt.</td>
</tr>
<tr>
<td></td>
<td>• Gift card must meet certain conditions to constitute a gift card</td>
</tr>
<tr>
<td></td>
<td>Store value cards are not exempt under new law - See SB 868 trailer modification Sec. 15-206 presumption of abandonment store value cards</td>
</tr>
<tr>
<td></td>
<td>Sec. 15-102(24)(C) gift cards; (10) game related digital content; (14) loyalty cards; (19) net card value</td>
</tr>
</tbody>
</table>
Unclaimed Property Introduction
IL BOP & Remediation

Burden of Proof (Section 15-307)

- Administrator has initial burden to prove:
  - Amount of property
  - Property is presumed abandoned
  - Property is subject to the custody of the administrator

Remediation & Rebuttal to State Demonstrating its Burden of Proof (Section 15-1005)

- A record of a putative holder showing an unpaid debt or undischarged obligation is *prima facie evidence of the debt or obligation*.
- A putative holder may establish by a preponderance of the evidence that there is no unpaid debt or undischarged obligation for a debt or obligation described in subsection (a) or that the debt or obligation was not, or no longer is, a fixed and certain obligation of the putative holder.
# Illinois UP Law Change

## P&I

<table>
<thead>
<tr>
<th>Types of Penalty and Interest</th>
<th>Details</th>
<th>Waiver</th>
<th>Citation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to report, pay or deliver property interest</td>
<td>1% / month on amount or value of property - calculated from date the property should have been reported, paid or delivered</td>
<td>Yes - if holder acted in good faith and without negligence</td>
<td>Section 15-1204 (a) (interest) Section 15-1206 (a) (waiver)</td>
</tr>
<tr>
<td>Failure to report, pay or deliver property penalty</td>
<td>$200 / day for each day the failure occurred, maximum of $5,000</td>
<td>Yes - if holder acted in good faith and without negligence</td>
<td>Section 15-1204 (b) (penalty) Section 15-1206 (a) (waiver)</td>
</tr>
<tr>
<td>Failure to retain required records penalty</td>
<td>State is permitted to use “reasonable method of estimation” as penalty</td>
<td>No</td>
<td>Section 15-1006 (penalty)</td>
</tr>
<tr>
<td>Evasion of unclaimed property law penalty</td>
<td>$1,000 / day obligation is evaded or duty not performed, maximum of $25,000 plus 25% of property that should have been reported</td>
<td>No</td>
<td>Section 15-1205(a) (penalty)</td>
</tr>
<tr>
<td>Fraudulent filing penalty</td>
<td>$1,000 / day from date of original report until corrected, maximum of $25,000 plus 25% of property that should have been reported</td>
<td>No</td>
<td>Section 15-1205 (b) (penalty)</td>
</tr>
</tbody>
</table>
Illinois UP Law Change
Record Retention

<table>
<thead>
<tr>
<th>Provision PRE SB9</th>
<th>New Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary</strong> - 5 years if filing, up to 14 years if no reporting</td>
<td><strong>Summary</strong> - 10 years of report and supporting documentation, or 13 years of records if no reporting</td>
</tr>
<tr>
<td>(a) If a holder has failed to retain records as required by this Act or if the records retained are shown to be insufficient to conduct and conclude an examination, the Office of the State Treasurer may use estimation techniques that conform to either Generally Accepted Auditing Standards or Generally Accepted Accounting Principles to determine the amount of unclaimed property.</td>
<td>Holders are required to retain records 10 years after the later of the report was filed or the last date a timely report was due to be filed unless a shorter period is provided by rule of the administrator.</td>
</tr>
<tr>
<td>765 ILCS 1025/11.5 (a)</td>
<td>Section 15-404</td>
</tr>
</tbody>
</table>
Illinois UP Law Change

Other Provisions

Remediation Standards & Rebuttal to State (Section 15-1005)

- The holder must establish by a preponderance of the evidence that a check, draft, or similar instrument was:
  - issued as an unaccepted offer in settlement of an unliquidated amount;
  - issued but later was replaced with another instrument because the earlier instrument was lost or contained an error that was corrected;
  - issued to a party affiliated with the issuer;
  - paid, satisfied, or discharged;
  - issued in error;
  - issued without consideration;
  - issued but there was a failure of consideration;
  - voided not later than 90 days after issuance for a valid business reason set forth in a contemporaneous record; or
  - issued but not delivered to the third-party payee.

- Moreover, a holder may present evidence of a course of dealing between the holder and apparent owner as a defense against an assertion that a particular item is abandoned property.
Other State Updates
Other State Updates

Nebraska LB 406
Signed by the Governor on March 12, 2019; Effective March 12, 2019

► This bill changes the amount required for minimum amount a due diligence letter must be sent from $25.00 to $50.00.

Nevada SB 44
Signed by the Governor on June 7, 2019; Effective July 1, 2019

► Any Holder that does not send their reports and payment online through Nevada’s portal and send their payment by ACH Debit, will be fined.

► If you have no way to pay by ACH Debit due to uncontrollable circumstances, the ACH Debit Exception form must be filled out and returned to Nevada for approval BEFORE the report and payment is sent; otherwise, the Company will be fined.
Other State Updates

Hawaii HB 1130

*Bill Introduced January 24, 2019*

- This bill requires unclaimed property under $100 to be automatically transferred into the general funds of the State.
Other State Updates

States that now require annual reports be submitted online only:

- Alabama (Payment must be made electronically)
- Alaska
- Arkansas
- Colorado
- Delaware
- District of Columbia
- Florida
- Idaho
- Illinois
- Indiana
- Iowa
- Kentucky
- Louisiana
- Maine
- Minnesota
- Montana

- Nebraska
- Nevada (Payment must be made electronically-ACH Debit)
- New Hampshire
- New Jersey
- North Dakota - Negative Reports only required
- Oklahoma (Signed cover sheet still required)
- South Carolina
- Tennessee (Payment must be made electronically)
- Texas
- Utah
- Virginia (Signed cover sheet still required)
- Washington (Payment must be made electronically or 5% penalty)
- Wisconsin
- Wyoming
## Other State Updates

<table>
<thead>
<tr>
<th>State</th>
<th>Previous</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska - Payment Method:</td>
<td>Check and ACH</td>
<td>ACH is now the preferred method and checks will only be accepted if electronic payment is unavailable</td>
</tr>
<tr>
<td>Kentucky - Check Payable to:</td>
<td>Kentucky State Treasurer</td>
<td>Kentucky State Treasury Unclaimed Property Division</td>
</tr>
<tr>
<td>North Dakota - Check Payable to:</td>
<td>ND Department of Trust Lands</td>
<td>North Dakota Department of Trust Lands - Unclaimed Property Division</td>
</tr>
<tr>
<td>Puerto Rico - PO Box Address:</td>
<td>Unclaimed Property Division PO Box 11855 San Juan, PR 00910-3855</td>
<td>Insurance Commissioner B5 Tabonuco Street Suite 2016 PMB 356 Guaynabo, PR 00968-3029</td>
</tr>
<tr>
<td>West Virginia - Check Payable to:</td>
<td>WV State Treasurer’s Office - Unclaimed Property Division</td>
<td>State of West Virginia - WVSTO</td>
</tr>
</tbody>
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COMPLIANCE BEST PRACTICES
Best Practices

Compliance

An efficient compliance process increases the likelihood that an organization will only remit funds rightly due to the states. The compliance process should include the following, which is most effectively addressed in a compliance manual:

- Evaluate company needs/resources regarding unclaimed property
- Centralize unclaimed property reporting by assigning an unclaimed property administrator
- Assign liaisons with individual departments to assist in the gathering of unclaimed amounts (i.e. - accounting, controller, treasury and internal legal).
- Train staff and management
- Implement procedures for internal identification of unclaimed property and the proper tracking, reporting, and payment methods once property is identified
- Develop records retention policy
Other key points to consider for the compliance manual:

- Establish unclaimed property liability account
- Perform monthly reconciliations and processing of escheat information consistent with escheat calendar deadlines (e.g. Cash / A/R accounts)
- Utilize software or outsource report filing to ensure all new statutory changes are incorporated into the unclaimed property review
- Establish compliance calendar to track reporting deadlines and key milestones (e.g. due diligence)
- Track legislative changes that impact annual reporting
- Establish a centralized repository to maintain historical unclaimed property filings (UP reporting software may help here)
- Review possibilities for mitigation of future unclaimed property
Best Practices

Accounts Receivable

Best practices for the accounts receivable department:

- Deminimus amounts are reclassed to a unclaimed liability account instead of a P&L account.
- Include available credits, not just outstanding invoices, on customer statements.
- The earlier the AR team reaches out to the customer on an outstanding credit (greater than 90-180 days) the better the chance to resolve the credit.
- Ensure that payments are matched to invoices in the system.
- For any credit amounts where the customer agrees that the amount is not owed, keep all supporting documentation and correspondence.
- Use doc types or codes in the system to better identify transaction types running through AR (i.e. - pricing adjustment, write-off, bad debt recovery, settlement, etc.)
Best Practices
Accounts Receivable (continued)

Best practices for the accounts receivable department:

- Offset credits on account to future invoices for current customers
- Do not write-off credits due customers simply because the credit has aged
- Do not offset credit from one customer account to debit from another customer account unless allowed by contract
- Unidentified remittances or unapplied cash should be refunded to company making payment and not written off to P&L
- Simply issuing a refund check without having made contact does not re-start the calculation of dormancy
Best Practices

Self-Assessment Qualitative Review

- Does my company have a history of unclaimed property reporting? If so, is property being reported or is it just negative reports being filed each year?
- Where is/was my company incorporated and how far back can that state(s) audit my company for?
- What is my company’s record retention policy? Does it match up to the UP audit look back periods?
- Is there a material amount of checks on my current outstanding A/P check listing that are older than 3 years?
- Does my company have a policy of writing off credits or checks simply because they have been aged for a specific period of time?
- Is there a deminimus amount write-off policy (either done manually or automatically by the system?)
WAYS TO MITIGATE UNCLAIMED PROPERTY EXPOSURE
Ways to Mitigate Unclaimed Property Exposure

- **Voluntary Disclosure Agreements**
  - All property types (AP, PR, AR)
  - Limited scope of review
  - Brings company into compliance
  - Waiver of penalties and interest

- **Compliance**
  - Execute strong annual unclaimed property filings and due diligence compliance
  - Policy and Procedures
    - Develop and implement firm-wide process to help mitigate future risk
    - Evaluate M&A Activity
    - Evaluate System conversions and banking relationship changes
  - Feasibility Review
    - Review to address the scope of your unclaimed property exposure and internal control risks
Q&A
SPEAKER BIOGRAPHIES
Biography
Angie Gebert, CPA

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EXPERIENCE SUMMARY
Angie has more than 20 years of state and local tax experience advising multinational and domestic companies on unclaimed property and the state and local tax implications of transactions, operational changes, tax minimization strategies, audits, and appeals. Angie has primarily focused on unclaimed property as well as has extensive experience with income, franchise, and business activity taxes and nexus.

Angie heads up the Firm’s Unclaimed Property Compliance practice. In addition, Angie has assisted clients with unclaimed property audit defense, voluntary disclosure agreements and policy and procedures.

Angie has given presentations in the area of unclaimed property and state and local taxation as well as published in the Tax Advisor.

Prior to joining BDO, Angie worked with Crowe Horwath LLP and PwC in state and local tax and federal tax/audit divisions respectively.

PROFESSIONAL AFFILIATIONS
Unclaimed Property Professional Organization, Member
American Institute of Certified Public Accountants
Indiana CPA Society

EDUCATION
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EXPERIENCE SUMMARY
James has more than 18 years of unclaimed property experience at both at the governmental and industry levels. James has primarily focused on unclaimed property compliance issues including policy, due diligence and reporting requirements. James has also aided clients come into compliance utilizing various state’s Voluntary Compliance Programs.

James works in the Firm’s Unclaimed Property Compliance practice. In addition, James has assisted clients with unclaimed property audit defense, voluntary disclosure agreements and policy and procedures.

Prior to joining BDO, James worked with United Airlines, Inc. and the Illinois State Treasurer ‘s Office handling unclaimed property compliance related efforts.

PROFESSIONAL AFFILIATIONS
Certified Fraud Examiner - Assn. of Certified Fraud Examiners
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EXPERIENCE SUMMARY
Annie has 7 years of experience in abandoned and unclaimed property (AUP), specifically working on AUP audit engagements on behalf on numerous states. She has valuable knowledge of the AUP practices and regulations of various states, including the audit process and has worked on audit engagements for numerous industries including oil and gas, retail, manufacturing, food and beverage and automotive.

Annie is a manager based out of the Philadelphia office. She specializes in audit defense, voluntary disclosure agreements (VDA) assistance, and escheat planning. Using her vast knowledge of the unclaimed property audit process, she is able to assist clients in all escheat issues, including mitigating exposure.

Prior to joining BDO, Annie worked for Kelmar Associates, LLC, the nation’s largest contract AUP firm, as a senior associate working on unclaimed property audits on behalf of various states.
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