

ARKANSAS AUDITOR OF STATE
DENNIS MILLIGAN



2024 | UNCLAIMED Property Holder Seminar

SEPTEMBER 2024

What Is Unclaimed Property?

What Is Unclaimed Property?

Any financial asset, usually intangible, held for a person or entity that cannot be found.

An entity or individual “cannot be found” if there has been no documented transaction or contact between the owner and holder for a period of time.

Arkansas’ unclaimed property statute defines the period of time for each property type.

This is referred to as the dormancy period.



Examples of Unclaimed Property



Examples of unclaimed property types include:



Account balances, Unpaid wages or commissions,

Stocks, Bonds

Refunds, Utility deposits

Insurance proceeds, Cashier's checks

Money orders, Safe deposit box contents,

Oil and gas royalties, and others



Unclaimed Property Lingo

Holder

Any business in possession of unclaimed property is a potential holder

Owner

Person or entity who has a legal interest in property or the person/entity's legal representative

Due Diligence

Written notice to the owners at their last known address informing them of property that will be reported unless they respond in a timely manner to reclaim the money

Record

Information in the custody of the holder containing details relating to the property. This could include unique identifiers of the property, the property owner name, the property value and the property owner address.

NAUPA

Defined as the National Association of Unclaimed Property Administrators. This group sets the standard system for reporting unclaimed property. Arkansas requires all Holder reports to be submitted in a NAUPA formatted file.



Property Categories and Dormancy Periods

1-Year

- Wages, Commissions
- Utility Deposit or Refund

3-Year

- Cashier's Checks
- Customer Overpayments
- Shares of Stock
- Insurance Claim Checks
- Mineral Proceeds
- Vendor Checks
- Bank Accounts
- Individual Retirement Accounts

Other

- Safe Deposit Boxes (5)
- Money Orders (7)
- Travelers Checks (15)



Important Dates

Reports to Arkansas are due prior to November 1st each year.

For example, if you are holding a 3-year property, in order for it to be timely reported in this upcoming cycle, it would fall within the date range appearing in the second row below.

Issue or Last Activity Date	Report Due Date	Status
7/1/19 – 6/30/20	November 1, 2023	Past Due
7/1/20 – 6/30/21	November 1, 2024	Reportable
7/1/21 – 6/30/22	November 1, 2025	Future Due



How to know where to report Unclaimed Property

The United States Supreme Court has determined that property should be reported according to the standards set forth below. There is a two-tier analysis when determining where to report property:

Priority

1

The state of the creditor's last known address

Priority

2

The state of the debtor's domicile when no address was known



Get to know NAUPA

The National Association of Unclaimed Property Administrators (NAUPA) has approved a standard set of codes in a uniform format with the purpose of making electronic reporting more uniform for all holders.

The most current version of the NAUPA Standard Electronic File Format may be found at www.unclaimed.org.



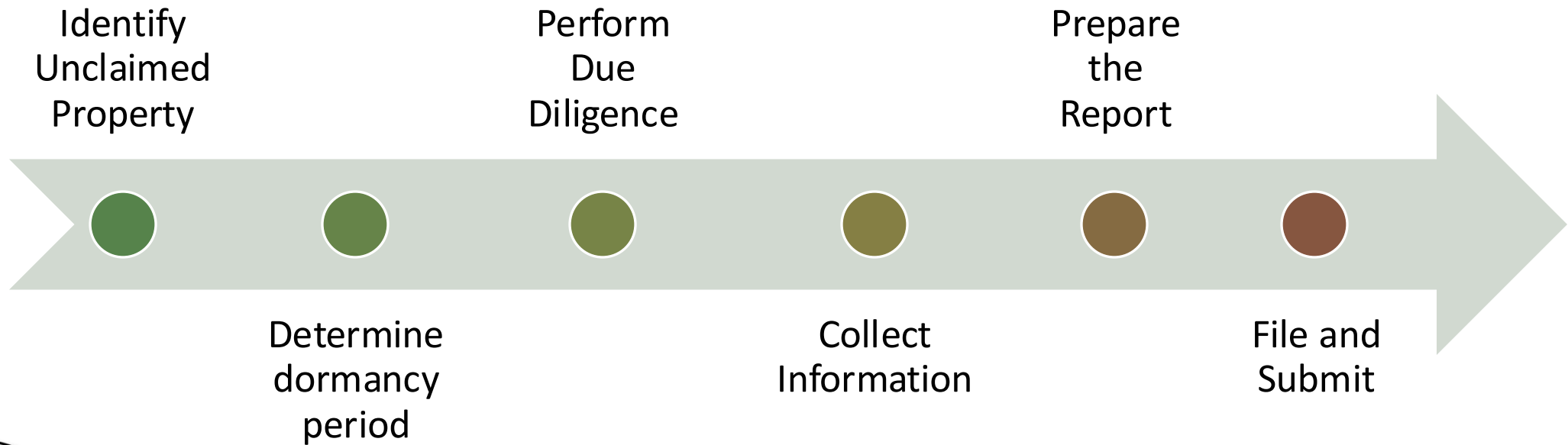
Arkansas requires all holder reports to be submitted online in a NAUPA-formatted file and prepared using one of the following options:

There are several holder software products on the market that can help you prepare your report in the correct format, such as Sovos, FSITrack, Tracker, UPCS, etc. If you are looking for a free option, the HRS Pro standard version, <https://hrspro.unclaimedproperty.com>, is free for under 100 records.

Enter your information using the Manual Entry option on the Submit a Holder Report page on our website at <https://claimitar.gov/app/submit-a-report>.



What does the Law require that I do with Unclaimed Property?



Identify Unclaimed Property

To determine if your business has unclaimed property:

- Analyze general ledgers to identify applicable property categories.
- Find and review the relevant source records.
- Always check the Arkansas Auditor of State's website for changes and updates to unclaimed property laws and policies.



Determine Dormancy Period

Determine if the property has been inactive or dormant for the abandonment period.

Issue or Last Activity Date	Report Due Date	Status
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Note: Reissuing a check does not reset the dormancy clock, unless the reissuance was done at the direction of the owner.



Perform Due Diligence

Owners must be provided at least 90 days to respond to due diligence letters before a report is filed.

Must be performed if the value is greater than \$50 and the address for the owner appears to be accurate.

Sample due diligence letters provided through the Arkansas Unclaimed Property Reporting Booklet.



What does the Due Diligence letter include?



Sample
Due Diligence Letter

To: _____ Date: _____

Re: Disposition of Outstanding Check

Our records indicate that the following check issued to you is still outstanding:

<u>Check #</u>	<u>Date Issued</u>	<u>Amount</u>
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Please indicate the disposition of the check on the bottom of this form and return it to us within ____ days.

Disposition of check:

___ I cashed the above-referenced check. Provide date cashed, if known: ___/___/___

___ I received the above-referenced check, but it has been lost or destroyed. Please issue a replacement check.

___ I did not receive the above-referenced check. Please issue a replacement check.

___ Other, explain:

Please sign here: _____

Address: _____

What does the Due Diligence letter include (cont'd)?



Sample
Due Diligence Letter

HOLDER NAME & ADDRESS

CUSTOMER NAME
CUSTOMER ADDRESS CUSTOMER
CITY, STATE, & ZIP

It is the policy of (HOLDER) to review and update our account records periodically. Our records of your savings/checking account number 123456 indicate no transactions as of (LAST ACTIVITY DATE) for (REPORT YEAR). Your account needs to be brought current. State law requires us to turn this account over to the state if the account is truly abandoned. To prevent us from turning your account over to the state's unclaimed property office, please check the appropriate box, sign in the space provided below, and return this to us as soon as possible.

The above-referenced address information is correct for the account and I am aware of the account.

Please change the account holder's name and/or address to read as follows:

I wish to close this account. Please send a check for the closeout amount to the following address:

Signature: _____ Date: _____

Your assistance is appreciated. Please contact our office if you have any questions.

Sincerely,

YOUR BANK OFFICER

Gather Property and Owner Data to Include on Report

What information will I need to report unclaimed property?

- For the owners that you are unable to locate, collect any additional information such as last known mailing addresses, social security numbers, birth dates, relationship codes, transaction dates, property types, and legal description (for oil & gas).



Prepare the Report

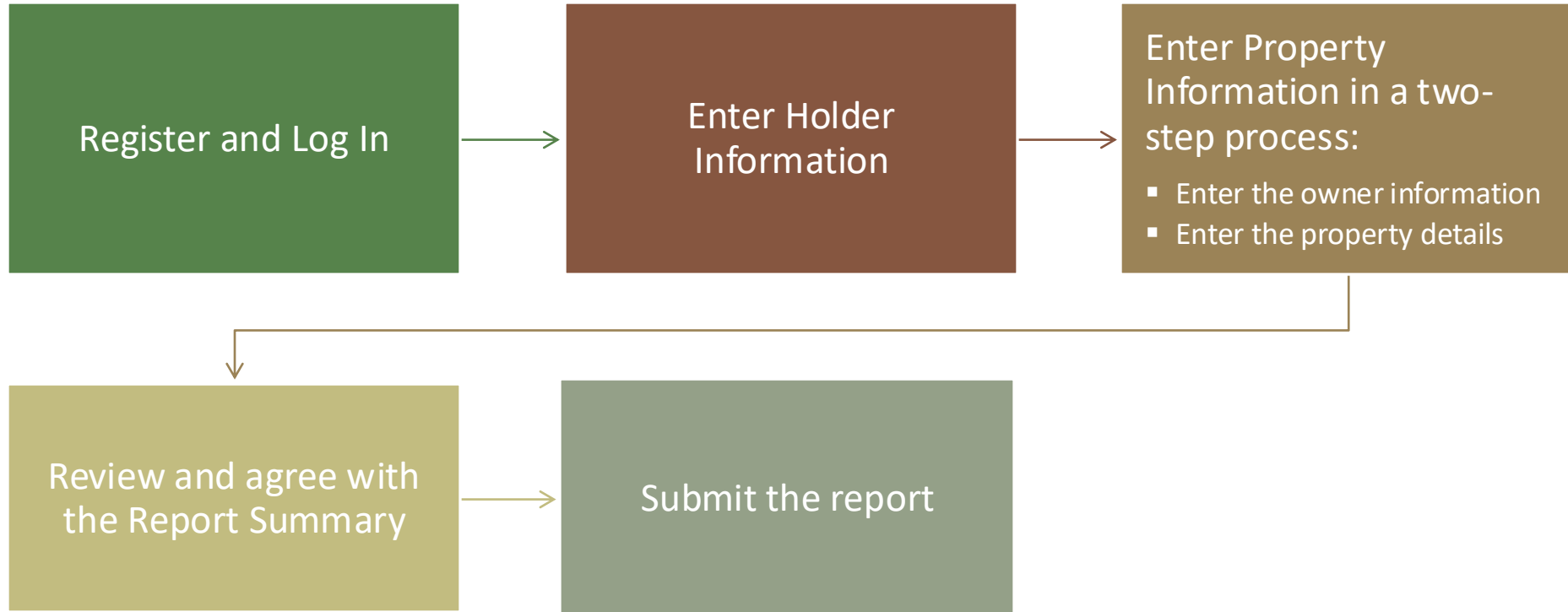
Compile the required information for the report:

- Property Type
- Owner name, last known address, social security number/tax ID number, date of birth
- Name and information of any known beneficiary
- Description of the property, including check or account number
- **Start Date.** Date the property is presumed abandoned, whether by contact, interest, activity, issuance, or otherwise.



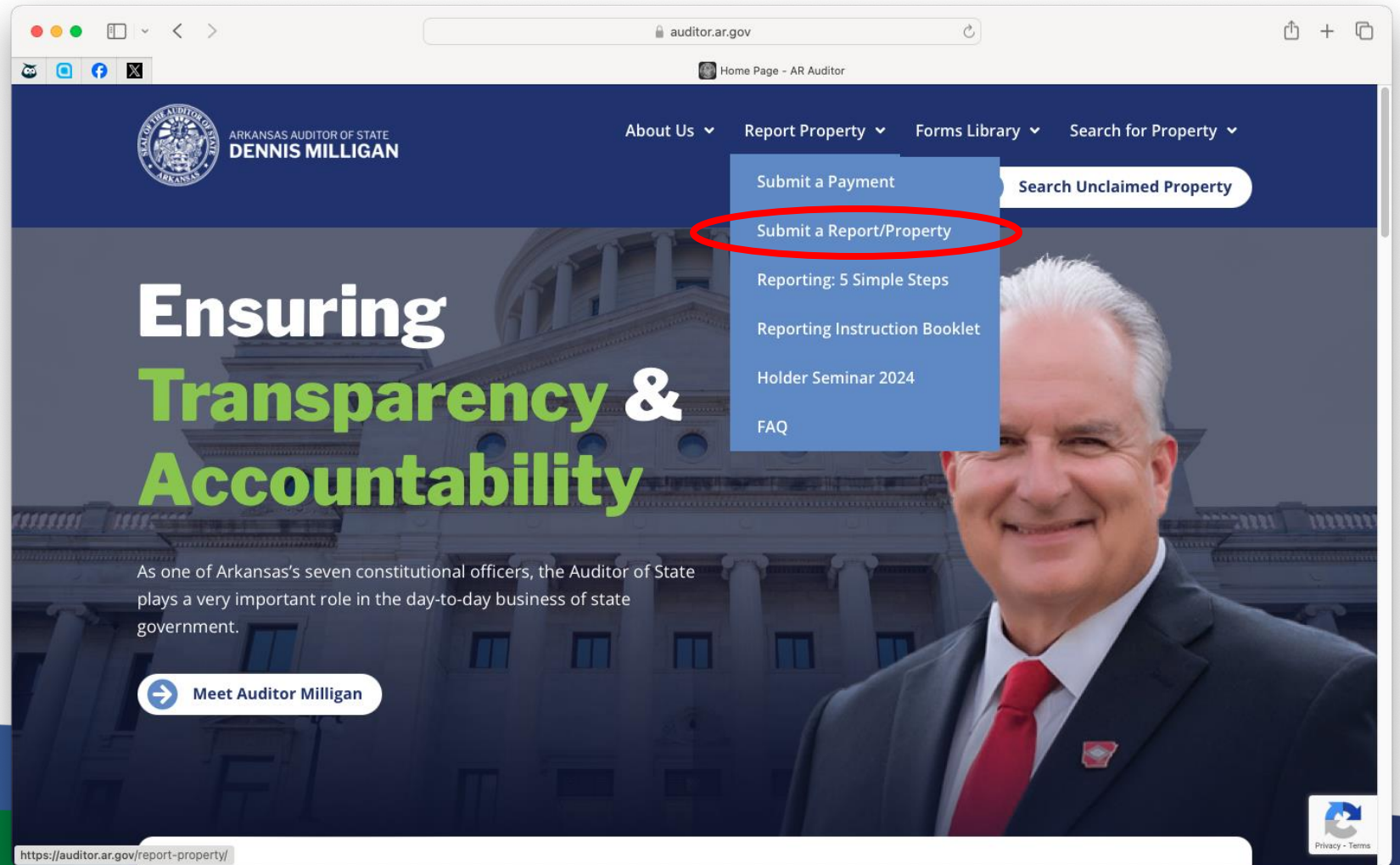
Create the Report

Creating the report will have 5 basic steps. All steps will be required each time a report is submitted:



File and Submit Report

To begin your report, go to the Arkansas Auditor of State website; under the Report Property Tab, click “Submit a report”



File and Submit Report

Arkansas requires all holder reports to be submitted online in a NAUPA-formatted file.

In accordance with A.C.A. § 18-28-208(a), all payments must be received prior to the reporting deadline. **Search for, select, and pay at** <https://claimitar.gov/app/holder/payment/search>



Record Retention

Save your records and support

In accordance with A.C.A. § 18-28-221(a), Except as otherwise provided in subsection (b), a holder required to file a report under § 18-28-207 shall maintain the records containing the information required to be included in the report for ten (10) years after the holder files the report; unless a shorter period is provided by rule of the administrator.



Additional Notes

- A holder of unclaimed property should submit a single remittance as payment for its annual unclaimed property report.
- If a holder submits a single payment to be split into multiple reports, the report must be submitted in a combined file.
- Any payment or transfer remitted to the State, prior to the submission of a report of unclaimed property, may be returned to the holder.
- Any payment using an approved alternate option will not be accepted unless payment is accompanied by written approval from the office.
- Receipt of funds does not relieve the holder from the obligation to file the detailed report under A.C.A. §18-28-207 on or before the due date
- W-9 may be requested by sending an email to holders@auditor.ar.gov.

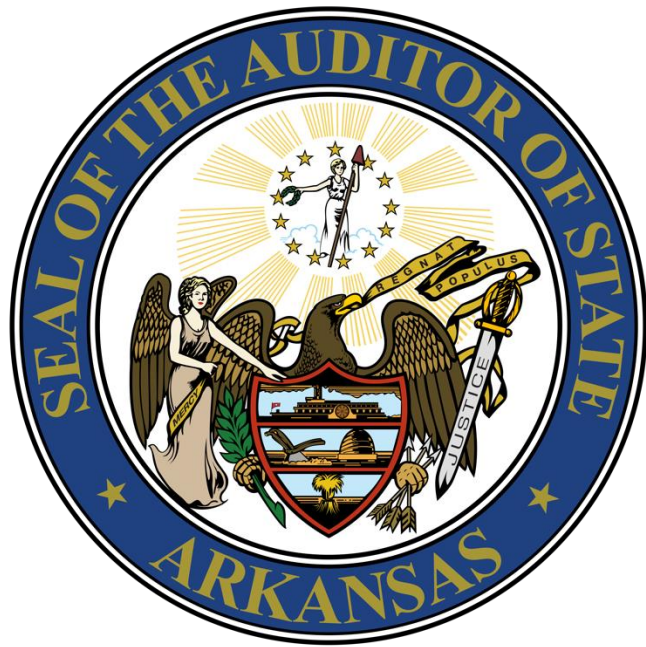


Questions





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UCP – Presumptions of Abandonment

UCP – Presumptions of Abandonment

- Account balance
- IRA
- Securities
- Safekeeping
- Check or money
- All other property



UCP – Account Balance

18-28-202. Presumptions of abandonment.

- (a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time stated below for the particular property:
- (5) A demand, savings, or time deposit, including a deposit that is automatically renewable, three (3) years after the earlier of maturity or the date of the last indication by the owner of interest in the property; but a deposit that is automatically renewable is not matured for purposes of this section upon its initial date of maturity, unless the most recent correspondence from the financial organization to the owner has been returned unclaimed or undelivered to the financial organization by the postal service;



UCP – Indication of Owner’s Interest

18-28-202. Presumptions of abandonment.

- (d) An indication of an owner's interest in property includes:
- (i) the presentment of a check or other instrument of payment of a dividend or other distribution made with respect to an account or underlying stock or other interest in a business association or financial organization or, in the case of a distribution made by electronic or similar means, evidence that the distribution has been received;
 - (ii) owner-directed activity in the account in which the property is held, including a direction by the owner to increase, decrease, or change the amount or type of property held in the account;
 - (iii) the making of a deposit to or withdrawal from a bank account;
 - (iv) correspondence from the financial organization to the owner of the property by mail, which correspondence has not been returned unclaimed or undelivered to the financial organization by the postal service; and
 - (v) the payment of a premium with respect to a property interest in an insurance policy; but the application of an automatic premium loan provision or other nonforfeiture provision contained in an insurance policy does not prevent a policy from maturing or terminating if the insured has died or the insured or the beneficiary of the policy has otherwise become entitled to the proceeds before the depletion of the cash surrender value of a policy by the application of those provisions.



UCP – IRA

18-28-202. Presumptions of abandonment.

- (a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time stated below for the particular property:
- (13) Property in an individual retirement account, defined benefit plan, or other account or plan that is qualified for tax deferral under the income tax laws of the United States, three (3) years after the earliest of the date of the distribution or attempted distribution of the property, the date of the required distribution as stated in the plan or trust agreement governing the plan, or the date, if determinable by the holder, specified in the income tax laws of the United States by which distribution of the property must begin in order to avoid a tax penalty;



UCP – IRA

Internal Revenue Service - RMD

Generally, you are required to begin taking withdrawals from an IRA, SIMPLE IRA, SEP IRA, or retirement plan account when the owner reaches age 72.

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>



UCP – Securities

18-28-202. Presumptions of abandonment.

- (a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time stated below for the particular property:
 - (3) Stock or other equity interest in a business association or financial organization, including a security entitlement under the Uniform Commercial Code -- Investment Securities, § 4-8-101 et seq., seven (7) years after the earlier of:
 - (A) The date of the most recent dividend, stock split, or other distribution unclaimed by the apparent owner;
 - (B) The date of the second mailing of a statement of account or other notification or communication that was returned as undeliverable or after the holder discontinued mailings, notifications, or communications to the apparent owner; or
 - (C) The date that the security holder or payee is presumed lost or unresponsive under 17 C.F.R. § 240.17Ad-17, as it existed on January 23, 2013;



UCP – Securities

17 C.F.R. § 240.17Ad-17

(2) *Lost securityholder* means a securityholder:

- (i) To whom an item of correspondence that was sent to the securityholder at the address contained in the transfer agent's master securityholder file or customer security account records of the broker or dealer has been returned as undeliverable; provided, however, that if such item is re-sent within one month to the lost securityholder, the transfer agent, broker, or dealer may deem the securityholder to be a lost securityholder as of the day the resent item is returned as undeliverable; and**
- (ii) For whom the transfer agent, broker, or dealer has not received information regarding the securityholder's new address.**



UCP – Securities

17 C.F.R. § 240.17Ad-17

(3) A securityholder shall be considered an *unresponsive payee* if a check is sent to the securityholder by the paying agent and the check is not negotiated before the earlier of the paying agent's sending the next regularly scheduled check or the elapsing of six (6) months (or 180 days) after the sending of the not yet negotiated check. A securityholder shall no longer be considered an *unresponsive payee* when the securityholder negotiates the check or checks that caused the securityholder to be considered an *unresponsive payee*.



UCP – Safekeeping

18-28-203. Contents of safe deposit box or other safekeeping depository.

Tangible property held in a safe deposit box or other safekeeping depository in this state in the ordinary course of the holder's business and proceeds resulting from the sale of the property permitted by other law, are presumed abandoned if the property remains unclaimed by the owner for more than five (5) years after expiration of the lease or rental period on the box or other depository.



UCP – Check or Money

18-28-202. Presumptions of abandonment.

(a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time stated below for the particular property:

(1) Traveler's check, fifteen (15) years after issuance;

(2) Money order, seven (7) years after issuance;

(6) Money or credits owed to a customer as a result of a retail business transaction, three (3) years after the obligation accrued;

(8) Property distributable by a business association or financial organization in a course of dissolution, one (1) year after the property becomes distributable;

(9) Property received by a court as proceeds of a class action, and not distributed pursuant to the judgment, one (1) year after the distribution date;

(11) Wages or other compensation for personal services, one (1) year after the compensation becomes payable;

(12) Deposit or refund owed to a subscriber by a utility, one (1) year after the deposit or refund becomes payable;



UCP – All other property

18-28-202. Presumptions of abandonment.

(a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time stated below for the particular property:

(14) All other property, three (3) years after the owner's right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs;



Questions



