



## Holder Outreach Newsletter

### California Unclaimed Property Program

This newsletter is intended to keep all businesses, financial organizations, and other holders of unclaimed property well informed. Highlights of important news, useful information, and changes pertaining to unclaimed property are provided to assist holders with California reporting requirements.

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#### Unclaimed Property Law Changes Effective 1/1/12

SB 495 (Fuller) signed into law on September 20, 2011, made several changes to California's unclaimed property law, effective January 1, 2012. These changes clarify that individual retirement accounts (IRAs) or plans not subject to a mandatory distribution requirement are not deemed payable or distributable for dormancy calculation purposes until the owner has attained 70½ years of age. This amendment also prevents escheatment of funds from IRAs or retirement plans if, during the previous three years, the owner has owned another active account, plan or any other deposit or account not subject to escheat with the business. ([California Code of Civil Procedure \(CCP\) section 1513](#))

In addition to the above changes for related IRA accounts, all tangible or intangible property held in a fiduciary capacity for another person shall not escheat to the State if, during the previous three years, the fiduciary took one of the following actions:

- Held another deposit or account for the benefit of the owner,
- Maintained a deposit or account on behalf of the owner in an individual retirement account, or

- Held funds or other property under a retirement plan.

To prevent escheatment of the dormant account, the above related account types must have had owner activity during the previous three years and fiduciary communication with the owner at the address to which communications are regularly sent. Communications include account statements or other required statements. ([CCP section 1518](#))

SB 495 also increased the retention period for items of no apparent commercial value (NCV) and requires that NCV property delivered to the Controller be retained for a period of not less than seven years from the date the property is delivered to the Controller. ([CCP section 1565](#))



## Reconciling Missing Unclaimed Property Reports

Have you been assigned to take over reporting unclaimed property for your company? Occasionally employees are assigned to handle the unclaimed property for their company in the middle of the process. Here are a few FAQs to assist you with reporting correctly:

### **How do I know where to begin in the reporting process?**

The reporting process in California is a two-part report process. The first report is the Holder Notice Report, which is due annually prior to November 1 (or prior to May 1 for life insurance companies). This report will include a complete listing of those properties currently reportable, but will not include the remittance of the properties.

The second report is the Holder Remit Report. The Holder Remit Report is due between June 1-15, or between December 1-15 for life insurance companies (seven to seven-and-one-half months after the Holder Notice Report). The Holder Remit Report must include remittance and delivery of all cash and/or securities that remain unclaimed at the time the Holder Remit Report is due.

The first step in the reporting process is to review the records of the company for any unclaimed property and reference SCO's dormancy table to determine when this property is reportable. If the records of the company indicate a prior year report was submitted, verify with the SCO's Reporting Unit that both the Holder Notice Report and Holder Remit Report were approved. The SCO's Reporting Unit can also be contacted to determine when the last report was received from the company and the report detail.

### **The prior employee filed a Holder Notice Report but never filed a Holder Remit Report and they deleted all the records off their computer. What should I do?**

If you do not have a copy of the Holder Notice Report filed in a prior year, a copy can be obtained by written request on company letterhead addressed to the Outreach and Compliance

Unit. You can contact us via phone at (916) 464-6088 or via email at: [updcompliance@sco.ca.gov](mailto:updcompliance@sco.ca.gov). The Holder Notice Report detail will be e-mailed in an Excel file. We recommend storing both hard copies and digital copies of all unclaimed property reports that are filed.

### **Where is the best place to begin learning about unclaimed property reporting?**

The Unclaimed Property Holder Handbook is SCO's exhaustive resource on the reporting process, and is found at: [www.sco.ca.gov/upd\\_rptg.html](http://www.sco.ca.gov/upd_rptg.html).

We also have a General Reporting Quick Guide that is a two-page overview of the reporting process at: [www.sco.ca.gov/upd\\_rptg.html](http://www.sco.ca.gov/upd_rptg.html).

The Unclaimed Property Professionals Organization (UPPO) is a nation-wide resource for holders of unclaimed property offering webinars, conferences and resources for unclaimed property reporting. Their website is: [www.uppo.org](http://www.uppo.org)

Holders may also contact the Unclaimed Property Outreach and Compliance Unit at: (916) 464-6088 or [UPDHolderOutreach@sco.ca.gov](mailto:UPDHolderOutreach@sco.ca.gov).



## Holder's Claim for Reimbursement (HCR-1 Form)

## Account Deductions and Fee Schedules

There are times when property owners make contact with holders after the funds already have been transferred to the state, and the holder reactivates their account or reissues the check. In this instance holders can submit a claim for reimbursement (HCR-1) form to the SCO to have the remitted funds reimbursed.

The SCO will process the holder's claim for reimbursement only after the Holder Remit Report has been uploaded and reconciled. To enable processing of reimbursements in a timely manner, holders must complete a Holder's Claim for Reimbursement (HCR-1) form, which can be found on the SCO website at:

[http://www.sco.ca.gov/upd\\_form\\_rptg.html](http://www.sco.ca.gov/upd_form_rptg.html)

The HCR-1 form requires an original signature and must be notarized if the reimbursement is for securities or is over \$1,000. All reimbursement requests must include a copy of the original UFS-1 form and a letter of authorization on company letterhead specifying the names of each individual authorized to request reimbursement of properties. The SCO will maintain the letter of authorization on file upon holder request. If the requested reimbursement is due to a holder reactivating an account or reissuing a check to the owner, proof of payment must be included with the request. ([CCP section 1560\(b\)](#))

The HCR-1 form, copy of the UFS-1 form, and a letter of authorization also are required for holder reimbursement requests. A cover letter should be attached explaining the overpayment, or other remittance corrections.



Holders may not deduct service, handling, maintenance, or other charges or fees of any kind which are imposed simply because of inactive or unclaimed status. In other words, charges may not be deducted if the holder would not have deducted fees in the event the property had been claimed by the owner prior to being reported or remitted to the State Controller's Office. ([CCP section 1522](#))

If allowable fees are deducted in addition to the normal business fees or due diligence mailing fee, a holder must include or attach with the report the following documentation:

- The citation of the statute or a copy of the form of contract authorizing such charges,
- The value or amount of each item of property, before any charges are deducted,
- The amount of charges deducted from each item and the date or dates on which such charges were deducted, and
- Any additional information or documentation as the State Controller may require after review of the report to substantiate the deduction of charges. ([California Code of Regulations, Title 2, sections 1160-1161](#))

For more information about account fees, deductions and schedules, the unclaimed property law and regulations are located at:

[http://www.sco.ca.gov/upd\\_lawregs.html](http://www.sco.ca.gov/upd_lawregs.html)



## Electronic Funds Transfer (EFT) Information

## Reporting Reminders

If your Holder Remit Report exceeds \$20,000, please remember the funds must be remitted by electronic funds transfer. Payment may be made using a variety of methods, including the Automated Clearing House (ACH) Debit, ACH Credit, Fedwire, or International Funds Transfer options. The following are important points to remember when remitting property via EFT:

- If multiple checks are reported exceeding \$20,000 from the same holder Federal Employer Identification number, you will be subject to a 2% penalty if not remitted electronically ([CCP section 1532](#)).
- If you are submitting one wire for multiple reports, please be sure to include a list of report ID numbers and the breakdown of the funds so both the EFT Unit and the Reporting Unit are able to apply the funds correctly. This list must be sent to: [updscoeft@sco.ca.gov](mailto:updscoeft@sco.ca.gov) prior to transferring the funds. You will also need to include this information with each Holder Remit Report. Failure to provide a list of report ID numbers and property amount detail will cause the report to be rejected and you may be subject to interest.
- If you need to establish an ACH Debit or ACH Credit account with the State Controller's Office EFT Unit, we recommend you do so during the off-peak season from now until April 2012. There is no need to contact the EFT Unit unless you have changed banking information since the initial account setup. ACH Debit is the preferred method for remitting funds and will expedite processing.
- When establishing an ACH Debit account, please be sure that the account used is a checking or savings account. If a general ledger account or trust account is used to submit funds electronically, the payments will be rejected.

For more information on EFT, please refer to the Unclaimed Property Holder Handbook located at: [www.sco.ca.gov/upd\\_rptg.html](http://www.sco.ca.gov/upd_rptg.html).

If you need further assistance please contact the EFT Unit at: [updscoeft@sco.ca.gov](mailto:updscoeft@sco.ca.gov).

To ensure unclaimed property reports are accepted on the first submittal and CCP section 1577 interest is not applied due to a reporting error, the following list details some important reporting reminders:

- “As of” date Must be Included on the Universal Holder Face Sheet (UFS-1 Form)  
The “As of” date, also known as the fiscal year end date or report cut-off date, determines what properties must be included in the Holder Notice Report. If this information is missing, the report will be rejected and may be subject to CCP section 1577 interest.
- An Original Signature is Required on the UFS-1 Form (Unless Submitting Multiple Reports)  
The UFS-1 form is a legal document and must include the total number of properties, “As of” date, holder contact number, and original signature. The contact information in Section C must match the contact information entered in the electronic report field “Property Owner Contact Information.” This is the contact information the SCO provides to owners on the pre-escheat notices.
- The Report Totals Must Match  
The total on the UFS-1 form must match the electronic report total, and the remittance must be sent to the SCO with the Holder Remit Report (if sent with the Holder Notice Report, it will be returned).
- Securities Property Reporting  
When reporting securities that are to be transferred to the State, it is important to properly fill out the “SECR-DELIVERY-METHOD” field #6 in the Securities Record section of the NAUPA Standard Electronic File Format. This field contains information noting the method used to deliver the securities to the state. Valid values are:  
**DTC** - Direct Transfer  
**Physical** - Physical Certificate Delivery  
**Account** - Registration of Account Only  
**UNT** - Securities Not Transferable

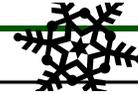


## Important Upcoming Dates



**Before May 1:** HOLDER NOTICE REPORTS due for life insurance companies.

**June 1-15:** HOLDER REMIT REPORTS and properties due: remittance for the 2011 reporting cycle must be received between *June 1 and June 15, 2012 (non life insurance companies)*. Remember to include the signed and dated Holder Remit Report Reminder Letter (14F) received from the SCO.



The SCO offers a free e-mail subscription service to receive updates and notices about the unclaimed property law, forms, SCO's quarterly newsletter, and more.

To subscribe visit:

[www.sco.ca.gov/upd\\_rptg\\_outreach.html](http://www.sco.ca.gov/upd_rptg_outreach.html)

### Contact Us:

**California State Controller's Office  
Unclaimed Property Division  
P.O. Box 942850  
Sacramento, CA 94250-5873**

[www.sco.ca.gov](http://www.sco.ca.gov)

Reporting Assistance: (916) 464-6284

Claims Assistance: (800) 992-4647  
(outside USA): (916) 323-2827



1577 Interest Assessment Unit: (916) 464-6092  
(for CA CCP §1577 inquiries)  
1577info@sco.ca.gov

Outreach and Compliance Unit: (916) 464-6088  
[UPDcompliance@sco.ca.gov](mailto:UPDcompliance@sco.ca.gov)

Questions regarding securities: (916) 464-6232  
[UPDSecRecon@sco.ca.gov](mailto:UPDSecRecon@sco.ca.gov)

Questions regarding EFT Remittance:  
[UPDSCOEft@sco.ca.gov](mailto:UPDSCOEft@sco.ca.gov)

### We want your input!

Please send us your newsletter comments, ideas, or concerns to: [UPDHolderOutreach@sco.ca.gov](mailto:UPDHolderOutreach@sco.ca.gov)

