



ABANDONED PROPERTY SERVICES LLC

## **Unclaimed Property Requirements: The Unclaimed Property Report and Remittance**

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One of the chief components for unclaimed property compliance is annual reporting and remittance of unclaimed property that is due prior to or on the states' specified deadlines. Compiling the information, creating the state reports and devising the remittance should be the final step at the culmination of an entire compliance effort directed toward minimizing exposure and mitigating liability. More simply, the reporting and remitting compliance step/requirement should include only those items that could not be prevented from becoming unclaimed property or that could not be resolved through research or contact with the owner.

### **Compiling the Report Information**

Earlier in the annual compliance cycle, the savvy practitioner has reviewed outstanding items, i.e., uncashed checks (payroll, expense, vendor, claim, etc.) and unused credits, refunds, rebates and unapplied cash on account, etc. The objectives for the review were to determine: 1) if the items qualify as "unclaimed property", and; 2) whether the items are "eligible" for unclaimed property reporting on the upcoming states' deadlines. The first objective may entail research to determine if the items are accounting errors and if not, that they otherwise meet the appropriate state's statutory definition of unclaimed property (and/or are not exempted). The second objective requires the practitioner to apply the appropriate state dormancy period to the items to determine if the items are reportable to the state on its next reporting deadline. As a result of this review, the number of items "outstanding" and "reportable" items on the list and associated funds would be reduced and should be moved to the business' "unclaimed property liability account".

Once the review is completed, the practitioner must consider the state due diligence requirements and insure that the pertinent requirements have been met. (Please see, "[Due Diligence Letter Requirements](#)",

September, 2009 on [www.theaccountspayablenetwork.com](http://www.theaccountspayablenetwork.com) for more information about state due diligence requirements.) Performing the required due diligence is an attempt to contact the owners about the items so that the owners can claim them or the items can be otherwise resolved. If the owner claims the item and the business pays them, the funds for the claimed or resolved items can be appropriately removed from the business' "unclaimed property liability account" and stricken from the "outstanding" and "reportable" items list. In addition, the owner may state that the funds are not owed or have been previously settled, in which these items should also be removed for the list. The resulting "outstanding" and "reportable" items list will serve as the basis for the state unclaimed property reports.

### **Creating the Unclaimed Property Reports and Remittances**

When creating state unclaimed property reports it is important to know the following for each state for which you must file a report:

- The report format and codes accepted by the state and
- The report media the state requires or accepts
- The cover sheet requirements, if any
- The report deadline and delivery
- The form of remittance required (and if applicable, the designated check payee)

#### 1. Report Format and Codes

Today, most states accept reports in the NAUPA II Standard Format. (NAUPA stands for the "National Association of Unclaimed Property Administrators".) This format is geared toward electronically reporting unclaimed items. To retrieve this format, please go to: <http://www.wagers.net/> and click on "NAUPA Standard". While the New York Office of Unclaimed Funds prescribes that holders use their unique format, they can accept reports that are supplied in the NAUPA II Standard Format.

Most states require the use of "property type" and "relationship codes" when reporting property. States that use the NAUPA II Standard Format normally use the corresponding standard property type and relationship codes but may have made some modified some of these codes or added more codes. For this reason, it is important to obtain the code listings used by the states for which you must file reports. Many states list these codes in reporting manuals or guides that they publish on their unclaimed property

websites. (For links to the state websites, go to: [www.unclaimed.org](http://www.unclaimed.org) and click on the appropriate state in the map.)

## 2. Report Media

One of the most important elements in creating a report is understanding the media through which the state(s) requires or can accept the report. Most states no longer accept or at least discourage the use of paper reports. Instead, they require that reports be submitted on CD or diskette if the number of items to be reported is greater than a specific amount. (For more information about this, please see the “Electronic Reporting?” column on the table at [www.theaccountspayablenetwork.com](http://www.theaccountspayablenetwork.com) under “State Escheatment Requirements”.) There are some states, like Michigan and Iowa, that require all reports to be reported on this type of media, regardless of the number of items reported.

Increasingly states are offering “on-line” reporting. Recently, Indiana mandated that unclaimed property reports be submitted via the internet through their website. States that offer “on-line” reporting often require that the businesses contact the state to register prior to attempting report uploads. (For Indiana registration go to: <https://www.indianaunclaimed.com/apps/ag/ucp/userRegistration.html>). Due to ever-shrinking state revenues and budget deficits, it is anticipated that more states will mandate that reports be filed on-line to reduce state costs for report processing.

## 3. Cover Sheet Requirements

Many states require that along with reports, a specific state-created cover sheet be completed and filed. Some of these cover sheets are unique to the business and include a “holder number” and/or bar code. For example, Florida permits the business to create the appropriate cover sheet on-line using the assigned “holder number”. (See <http://www.fltreasurehunt.org/Holder.jsp> for more information about Florida report cover sheets.) When making its initial filing, the business must first contact the Florida Bureau of Unclaimed Property to retrieve its holder number.

Usually, the cover sheet must be signed by an appropriate officer of the business and in many cases the signature must be notarized. The cover sheet often includes a statement that the business’ officer acknowledges that the information in the report is true and accurate. Further, some states recently have edited this statement to include language stating that the business officer attests that due diligence has been performed as required by the state’s law.

#### 4. The Report Deadline and Delivery

Of course, reports must be delivered to the state by the appropriate reporting deadline. Reporting deadlines vary by industry and sometimes by property type depending upon the state. However, for most non-financial, non-insurance businesses, the states reporting deadlines are in the Fall. There are a few states, though, that have deadlines in late Winter or Spring. Many states have a reporting deadline in the Spring for life insurance companies.

Filing reports using a verifiable delivery method is very important. Note that states receive many reports near their report deadlines. These reports are often “logged in” as received but may not be logged on the date that they are actually received due to the sheer volume of reports delivered on that day. As state laws often include a fine for “late filing”, the business must be able to verify the date that reports were delivered to the state in order to avoid such fines.

#### 5. The Form of Remittance

For the most part, the accounts payable practitioner would be reporting non-securities-related “cash” type unclaimed property and the remittance that accompanies the unclaimed property report would be a check. The check should reflect the total dollar amount of the report and be written to the payee specified in state reporting instructions. These instructions are usually provided with state report forms or in state reporting manuals or guides on state websites. For example, checks written to the state of Illinois unclaimed property division should be written to: “Illinois State Treasurer”. Note, however, that Illinois does offer businesses the option of making payment by ACH according to specific instructions found in the reporting instructions. (See <http://www.treasurer.il.gov/programs/cash-dash/holders-of-property.aspx> and click on “Filing Annual Report - November 2009”. The instructions are on page 2.)

Note that a few states require “electronic funds transfer” (EFT), Fed Wire or ACH Transfer remittance if the dollar amount of the remittance is greater than a specified threshold. For example, California requires that if the remittance is greater than \$20,000 it must be delivered by electronic funds transfer in the specific manner designated in statute and regulations. Failure to remit such funds to California in the specified manner triggers a statutory penalty of 2 percent (2%) of the value of the payment.<sup>1</sup> There are a few other states, i.e., Massachusetts (\$10,000 or greater), New Jersey (\$50,000 or greater) and Texas (if

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<sup>1</sup> California Code of Civil Procedure, Title 10, Chapter 7, Paragraphs 1532 (a) and (g).

reported \$100,000 in the previous year's report), that have EFT, Fed Wire, or ACH transfer remittance requirements.

### Summary

The reporting and remitting component of unclaimed property compliance should be the final step in the cycle of effective escheatment management. Managing the reporting effort entails a thorough understanding of each report state's specifications for report format, media, cover sheets, deadline, remittance payee and remittance delivery. While the majority of state reporting deadlines are in the Fall, an effective, efficient and cost minimizing escheatment compliance process is a "year round" endeavor.

*About Abandoned Property Services LLC (APS):* APS serves the unclaimed property compliance needs of all types of businesses. APS provides policy /procedure and liability prevention consulting, audit defense and compliance maintenance via its annual reporting and due diligence services. Annual reporting and due diligence services are facilitated by APS' specially-devised and perpetually updated "in-house" systems.

APS, LLC was formed in 2003 with the mission of providing high quality, effective, efficient and affordable unclaimed property compliance and audit support services to the business community. To this end, the fourteen (14) APS staffers have over 160 years of combined unclaimed property experience including unclaimed property consulting for big four accounting firms, and serving as unclaimed property officials for Illinois, New York, and Oregon. APS, LLC's principal office is located in New York, New York. For more information, please visit the APS LLC website at [www.abandonedpropertyservices.com](http://www.abandonedpropertyservices.com) or contact Karen Anderson at 317-577-9530 or [kanderson@apsescheat.net](mailto:kanderson@apsescheat.net)

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