

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Revised

Senate Bill 104 (Senator Baker)

Judicial Proceedings

Commercial Law - Abandoned Property

This bill alters the definition of “personal property” under the Maryland Uniform Disposition of Abandoned Property Act to exclude certain: (1) outstanding checks or credits issued to vendors or commercial customers; (2) credit balances in vendor or commercial customer accounts; and (3) purchase price rebates issued to customers. Additionally, this bill prohibits the Comptroller’s Office from examining a person’s records relating to abandoned property after five years from the date the person filed an abandoned property report absent fraud or gross negligence. This bill also decreases the penalty from 25% to 15% of the value of the property for failing to pay or deliver abandoned property as ordered by the Comptroller’s Office.

The bill’s effective date is June 1, 1998.

Fiscal Summary

State Effect: General fund revenue could decrease by \$528,600 in FY 1999. Out-year projections reflect a 5% growth rate.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	(\$528,600)	(\$555,000)	(\$582,800)	(\$611,900)	(\$642,500)
GF Expenditures	0	0	0	0	0
Net Effect	(\$528,600)	(\$555,000)	(\$582,800)	(\$611,900)	(\$642,500)

Note: () - decrease; GF - general funds

Local Effect: None.

Small Business Effect: Potential minimal impact.

Fiscal Analysis

State Effect: There are two primary sources of general fund revenue loss resulting from this bill: (1) excluding vendor checks and purchase rebates; and (2) providing for a five-year record examination limitation. This bill would not affect credit balances in vendor or commercial customer accounts because they are already exempt under current law.

Excluding vendor checks and purchase rebates. By excluding outstanding checks and purchase price rebates from coverage under the Maryland Uniform Disposition of Abandoned Property Act, general fund revenues could decrease by \$401,109 in fiscal 1999. The Comptroller of the Treasury (Bureau of Revenue Estimates) reported \$35,450,467 in unclaimed property receipts in fiscal 1997. Approximately 6.66% of these receipts contained wholesale credits, rebates, and checks, which equates to \$2,362,456. However, only 20% of these receipts represented wholesale vendor checks and purchase rebates, which equates to \$472,491. Twenty-three percent of the \$472,491 was ultimately claimed by the owners, leaving \$363,818 in revenue to the State general fund in fiscal 1997. The general fund revenue loss in fiscal 1999 and the out-years is based on 1997 data and 5% annual growth.

Providing for a five-year record examination limitation. Under the Disposition of Abandoned Property Act, personal property which remains unclaimed for five years is considered abandoned. Every person holding funds or other tangible or intangible property presumed abandoned must file an abandoned property report with the Comptroller's Office. This bill prohibits the Comptroller's Office from examining a person's records relating to abandoned property five years after this report is filed absent fraud or gross negligence. In effect, this bill gives the Comptroller's Office a five-year window to review the records. As a practical matter, the Comptroller's Office does not examine the records of any person regarding abandoned property after five years from the date the report was filed. Therefore, this bill would not impact in-house audits.

However, the Comptroller's Office will not be permitted to engage in contractual audits that review records after five years from the report date. In fiscal 1997, the Comptroller's Office generated approximately \$150,191 in revenue from contractual audits on property after five years from the date the report was filed. Twenty-three percent was ultimately claimed by the owners, generating a \$115,647 contribution to the general fund. The general fund revenue loss in fiscal 1999 and the out-years is based on 1997 data and 5% annual growth.

Small Business Effect: Under this bill, unclaimed vendor checks, purchase rebates, or property which is more than 10 years old is not subject to examination by the Comptroller's Office and may be retained by small businesses.

Information Sources: Attorney General's Office (Consumer Protection Division),
Comptroller (Compliance Division)

Fiscal Note History: First Reader - January 28, 1998
Inc Revised - Corrected - January 29, 1998

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