

Department of Legislative Services  
 Maryland General Assembly  
 2004 Session

FISCAL AND POLICY NOTE

House Bill 687

(Delegate Heller, *et al.*) (Joint Committee on the  
 Management of Public Funds)

Economic Matters

Judicial Proceedings

Commercial Law - Interest on Abandoned Property

This bill repeals the provisions that require the Comptroller, as the administrator of abandoned property, to pay interest to claimants of: (1) interest-bearing abandoned property; and (2) the proceeds from the sale of other abandoned property.

The bill is effective July 1, 2004.

Fiscal Summary

**State Effect:** General fund revenues would increase by \$150,000 annually beginning in FY 2005.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

Analysis

**Current Law:** Generally, property is presumed to be abandoned if it is left unclaimed for three years. A person holding abandoned property must report to the Comptroller on the property, including information on the nature of the property and the property's

presumed owner. Within 180 days after the report's filing, the Comptroller must publish a notice in a newspaper naming the owner and holder of the property, and stating the means by which the owner may claim the property. The Comptroller must then mail a notice about the property to the owner's last known address. The property must be delivered or paid to the Comptroller, at which time the State takes custody of the property.

Within one year of taking custody of abandoned personal property without its being claimed, the Comptroller must sell the property at auction. A person who claims a legal interest in property delivered to the Comptroller must file a claim to the property or to the proceeds from its sale. For property sold at auction, if the Comptroller allows the claim, the Comptroller must pay the claimant an amount equal to the sales price plus interest at the rate earned on invested State funds. The Comptroller must pay interest on interest-bearing property at the lesser of 5% or the interest rate earned on the property while in the former holder's possession. If a claim to such property is successful, the Comptroller must pay the claimant interest for the period that the Comptroller held the property, up to five years.

**Background:** The bill reflects the suggestions made by the Comptroller to the Joint Committee on the Management of Public Funds. For smaller interest-bearing abandoned property (accounts with less than \$1,000), the administrative costs involved in paying the lower interest rate earned on the property are more than paying 5% interest.

**State Fiscal Effect:** The State currently pays 1.5% interest, the rate earned on State investments, on property that has been sold. Generally, the State pays the lesser of 5% or the interest rate earned on interest-bearing property. The State would no longer pay interest on either category of property as it is returned to a claimant from the fund that later reverts to the general fund. Based on past experience, the State would receive approximately \$150,000 in additional general funds annually beginning in fiscal 2005.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 276 (Senator Lawlah, *et al.*) (Joint Committee on the Management of Public Funds) – Judicial Proceedings.

**Information Source(s):** Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 9, 2004  
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