

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

Senate Bill 187

(Senator Gladden)

Finance

Economic Matters

Commercial Law - Abandoned Property - Money Orders

This bill lengthens the time period after which a money order is presumed to be abandoned property, from three to seven years from the date of issuance.

Fiscal Summary

State Effect: General fund revenues would decrease by approximately \$3.9 million in FY 2007. Out-year projections reflect annualization and inflation. Expenditures would not be affected.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	(\$3,868,000)	(\$3,997,900)	(\$4,206,400)	(\$4,424,600)	(\$1,056,500)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$3,868,000)	(\$3,997,900)	(\$4,206,400)	(\$4,424,600)	(\$1,056,500)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Generally, property is presumed to be abandoned if it is left unclaimed for three years. A sum payable on a written instrument, including a check, certificate of deposit, draft, and money order, is presumed abandoned three years from the date of issuance, unless the owner has: (1) corresponded in writing with the organization or association liable for it; or (2) otherwise indicated an interest as evidenced by a

memorandum with the organization or association. For a traveler's check, however, the presumption is 15 years from its issue date.

A holder of presumed abandoned property, between 30 and 120 days before filing the required report to the Comptroller on the owner and nature of the abandoned property, must send written notice to the apparent owner of the presumed abandoned property, at the apparent owner's last known address, informing the owner that the holder is in possession of the property and that the property will be considered abandoned unless the owner responds within 30 days after the notification to the holder. A person holding abandoned property must report to the Comptroller, under oath, on the property.

After specified notification procedures, 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 without being claimed, the Comptroller must sell the abandoned property at auction. The proceeds are distributed in the following manner: (1) up to \$50,000 is deposited during a fiscal year in a special fund, from which claims for purportedly abandoned property must be paid; (2) the Comptroller may retain the Comptroller's costs in administering the State's abandoned property laws; (3) \$500,000 goes to the Maryland Legal Services Corporation; and (4) the remainder goes to the State's general fund.

Background: Chapter 440 of 2002, the Budget Reconciliation and Financing Act, shortened the period of time by which property is presumed to be abandoned, from five to three years, over a two-year period.

Under the Uniform Unclaimed Property Act, as adopted by the National Conference of Commissioners on Uniform State Laws, the period of time after which property is presumed to be abandoned varies from 1 to 15 years, depending on the nature of the property. For many types of intangible property, the period is three years, although it varies from one to five years. However, there are two periods that are different. The period is 15 years after issuance for a traveler's check and 7 years after issuance for a money order. For most other types of property, the period is five years.

State Revenues: Currently, the State receives the revenue from money orders that are presumed abandoned three years after they are issued. For example, in fiscal 2007, unclaimed money orders issued in fiscal 2004 would be presumed abandoned. Increasing the presumption period from three to seven years means revenue from unclaimed money orders issued in fiscal 2004 would not be realized for four additional years; the revenue would instead be received in fiscal 2011. **Exhibit 1** shows the detail for revenue losses during the period of fiscal 2007 through 2011. The information and assumptions used in calculating the estimate are stated below:

- the inflation rate for revenues from presumed abandoned money orders is 3%;
- the blended interest rate for earnings over the period of fiscal 2007 through 2011 is 4%, with a corresponding daily rate of 0.0107%;
- interest losses are cumulative; and
- because of the four additional years to do so, an additional 5% of the owners of money orders issued in 2004 would claim their property, leading to a revenue loss in fiscal 2011 from what would have been collected in 2007.

Exhibit 1
Detail of Revenue Loss
Fiscal 2007-11

<u>Fiscal Year</u>	<u>Revenue Loss from Abandoned Money Orders</u>	<u>Lost Interest Revenue</u>	<u>Total Lost Revenue</u>
2007	\$3,786,134	\$81,870	\$3,868,005
2008	3,899,718	98,144	3,997,863
2009	4,016,710	189,640	4,206,350
2010	4,137,211	287,422	4,424,633
2011	\$664,500*	\$391,986	\$1,056,486

*Represents 5% reduction in revenues for money orders issued during fiscal 2004.

Additional Information

Prior Introductions: None.

Cross File: HB 391 (Delegates Krysiak and Love) – Economic Matters.

Information Source(s): Comptroller’s Office; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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