SB 405

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 405 (Senator Garagiola, *et al.*)
Finance

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 $2.7 million in FY 2008. Out-year projections reflect annualization and cumulative interest losses during the period shown. Revenue decreases would be significantly smaller after FY 2012. Expenditures would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	($2,692,300)	($3,713,000)	($3,841,200)	($3,974,500)	($1,514,400)
Expenditure	$0	$0	$0	$0	$0
Net Effect	($2,692,300)	($3,713,000)	($3,841,200)	($3,974,500)	($1,514,400)

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 2008, unclaimed money orders issued in fiscal 2005 would be presumed abandoned. Increasing the presumption period from three to seven years means revenue from unclaimed money orders issued in fiscal 2005 would not be realized for four additional years; the revenue would instead be received in fiscal 2012. **Exhibit 1** shows the detail for revenue losses during the period of fiscal 2008 through 2012. The information and assumptions used in calculating the estimate are stated below:

- the average annual amount (the amount used for the estimate) for revenues from presumed abandoned money orders is $3.5 million;

- revenue losses for fiscal 2005 reflect the bill's October 1, 2007 effective date;

- the blended interest rate for earnings over the period of fiscal 2008 through 2012 is 4%, with a corresponding daily rate of 0.0107%;

- interest losses are cumulative; and

- since they would have an additional four years to do so, an additional 5% of the owners of money orders issued in 2005 would claim their property, leading to a revenue loss in fiscal 2012 from what would have been collected in 2008.

Exhibit 1
Detail of Revenue Loss
Fiscal 2008-2012

Fiscal Year	Revenue Loss from Abandoned Money Orders	Lost Interest Revenue	Total Lost Revenue
2008	$2,625,000	$67,316	$2,692,316
2009	3,500,000	213,017	3,713,017
2010	3,500,000	341,210	3,841,210
2011	3,500,000	474,531	3,974,531
2012	1,006,250*	508,185	1,514,435

*Represents loss of revenues from money orders issued during fiscal 2009 minus gain of revenues from money orders issued during fiscal 2005, with a 5% reduction.

The revenue losses shown in Exhibit 1 include lost interest revenue, a four-year delay in receiving abandoned money orders, and an increased number of money orders that would be claimed with the additional four-year time period. The revenue losses in the first column, excluding the 5% loss in fiscal 1012, represent a timing issue only. In fiscal

2013 and beyond, the reductions in revenue because of the bill are limited to lost interest and the 5% of money orders that would be claimed with an additional four years.

Additional Information

Prior Introductions: Identical bills, SB 187 and HB 391, were introduced during the 2006 session. SB 187 passed the Senate and was referred to the House Economic Matters Committee, where no further action was taken. HB 391 received a hearing in House Economic Matters Committee and was referred to interim study. After the 2006 special session, House Economic Matters Committee deferred the study of several items, including HB 391 to the 2007 session.

Cross File: HB 180 (Delegate Krysiak, *et al.*) – Economic Matters.

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

Fiscal Note History: First Reader - February 12, 2007
nas/jr

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