



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 388 (as passed by the Senate)
Senate Bill 389 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Veronica Klinefelt
Committee: Veterans and Emergency Services

Date Completed: 11-28-23

RATIONALE

According to testimony before the Senate Committee on Veterans and Emergency Services, active-duty military service can be a very stressful period in a military member's life, which can lead to members forgetting about accounts or other properties under the purview of the Uniform Unclaimed Property Act (UUPA). In addition, some have concern that current dormancy periods for active-duty military members are unclear in statute, which may increase the possibility of forgotten properties. It has been suggested that extending the dormancy period for specified properties of active-duty military or reserve component members from three years to five years could reduce the likelihood of military members' properties going unclaimed and escheating to the State.

CONTENT

Senate Bill 389 (S-1) would amend the Uniform Unclaimed Property Act to lengthen dormancy periods, from three years to five years, for specified properties if the owner of the property were a member of the United States Armed Forces in the reserve component on active orders. Additionally, the bill would align longer dormancy periods for specified property for individuals on active-duty military service with the five-year standard proposed above.

Senate Bill 388 would amend Part 4 (Members) of the Credit Union Act to lengthen the time a member may have an inactive designation on an account at a domestic credit union to agree with Senate Bill 389 (S-1).

Senate Bill 389 would apply to property on and after its effective date.

Senate Bill 389 (S-1)

Generally, the UUPA prescribes requirements for the reporting and disposition of unclaimed property. The dormancy period (the length of time a property can be unclaimed before being presumed abandoned) for many properties covered by the Act is three years. After this three-year dormancy period, the property is presumed abandoned and often escheated, or handed over to the State.

Currently, the Act requires that dormancy periods for certain properties (listed below) be lengthened for members of the United States Armed Forces on active-duty military service. The bill would expand the scope of these lengthened dormancy periods to include members of the United States Armed Forces in the reserve component on active orders.

The bill would add Section 17a to the Act, which would lengthen the dormancy period of the following properties from *three years to five years* if the owner of the property were a member of the United States Armed Forces that was in the reserve component on active orders:

- All property, including any income or increment derived from the property, less any lawful charges, that is held, issued, or owing in the ordinary course of a holder's business and remains unclaimed after it becomes payable or distributable.
- Any sum payable on a money order or similar written instrument, other than a third-party bank check, after its issuance for which the owner had not taken specified actions.
- Most sums payable on a check, draft, or similar instrument, on which a banking or financial organization is directly liable, including a cashier's check and a certified check, which is outstanding after it is payable or after its issuance if payable on demand unless the owner takes specified actions concerning it.
- Any demand, savings, or matured time deposit with a banking or financial organization, including a deposit that is automatically renewable, and any funds paid toward the purchase of a share, a mutual investment certificate, or any other interest in a banking or financial organization unless the owner takes specified actions.
- Accounts established in a bank or trust company by a person in trust for another, as described in Public Act 248 of 1909, when no other or further notice of the existence and terms of a legal and valid trust have been given in writing to the bank.
- Accounts established under the Michigan Uniform Gifts to Minors Act after the owner or the person entitled to the funds last communicated in writing with the banking or financial organization concerning the funds.
- Funds held or owing under any life or endowment insurance policy or annuity contract that has matured or terminated after the funds become due and payable per the records of the insurance company holding or owing the funds.
- Property and its income or increment held in a fiduciary capacity for the benefit of another person, unless the owner takes specified actions.
- Most gift certificates, gift cards, or credit memos if they are either not claimed or used after becoming payable or distributable or they are used or claimed one or more times without exhausting their full value but subsequently are not claimed or used.
- All property held in a safe deposit box or any other safekeeping repository in Michigan in the ordinary course of the holder's business and proceeds resulting from the sale of the property that remains unclaimed by the owner after the lease or rental period on the box or other repository has expired.

Additionally, the bill would shorten the existing dormancy periods for the following types of property to the following lengths of time for members of the United States Armed Forces on active-duty military service:

- Any sum payable on a money order or similar written instrument, other than a third-party bank check, after its issuance for which the owner had not taken specified actions; from *seven years to five years*.
- Accounts established in a bank or trust company by a person in trust for another, as described in Public Act 248 of 1909, when no other or further notice of the existence and terms of a legal and valid trust have been given in writing to the bank; from *fifteen years to five years*.
- Accounts established pursuant to the Michigan Uniform Gifts to Minors Act after the owner or the person entitled to the funds last communicated in writing with the banking or financial organization concerning the funds; from *fifteen years to five years*.

Senate Bill 388

Currently, Part 4 (Members) of the Credit Union Act prescribes requirements for designating an account with a domestic credit union as inactive. A member may have an inactive designation on the member's account for three years. After those three years, a domestic credit union must deliver all money or property in the account to the Department of Treasury (DoT) and terminate any membership based on the account.

The bill would lengthen the allowed inactive time to agree with Senate Bill 389 (S-1).

MCL 567.225 et al. (S.B. 389)

MCL 490.355 (S.B. 388)

BACKGROUND

Public Act (PA) 29 of 1995 established the UUPA. The Act provided for the reporting and disposition of unclaimed property and standardized dormancy periods for unclaimed property. In 2010, PA 197 shortened most dormancy periods (excluding those for traveler's checks) to three years, after which time the property would escheat to the State; however, an exception was written into PA 197 of 2010 that specified "[t]he provisions of 2010 PA 197 that modified dormancy periods of this act do not apply if the owner of the property is on active-duty military service." This meant that the lengthened dormancy periods described above in **CONTENT** remained law for individuals on active-duty military service. This is still the law today. Public Act 197 of 2010 did not mention individuals "in the reserve component on active orders", which Senate Bill 389 (S-1) would add.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

According to testimony before the Senate Committee on Veterans and Emergency Services, there are several inconsistencies between the Credit Union Act and the UUPA. The Credit Union Act currently prescribes three-year dormancy periods for unclaimed property when the UUPA prescribes five-year dormancy periods for active-duty military personnel. These inconsistencies may contribute to more confusion for military members and further escheatment of their properties. Senate Bill 388 would amend the Credit Union Act to standardize dormancy periods between the two Acts for the benefit of these military members.

Legislative Analyst: Alex Krabill

FISCAL IMPACT

The bills would have an indeterminate fiscal impact on the State and no fiscal impact on local units of government. The DoT could receive fewer unclaimed properties from credit unions by increasing the length of time an account could have an inactive designation for active military personnel. The DoT also could receive additional unclaimed properties from other institutions by reducing the dormancy periods for military personnel to the time frames outlined in Senate Bill 389 (S-1). This is unlikely to have a significant increase or decrease on the number of unclaimed properties that are turned over to the State annually.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.