

Business tax tip #19

Reporting Unclaimed Property

Businesses are required to report unclaimed property covered under **Commercial Law Article, Title 17, sections 301-326**. The following are answers to the most frequently asked questions about unclaimed property.

What is unclaimed property?

Mostly, it's money. Since **unclaimed property** often results from normal business operations, most businesses have unclaimed property. Examples include: unclaimed wages, commissions or other benefit distributions to employees; overpayments by customers or prepayments or refunds due to customers. Financial institutions, insurance companies and corporations must also report unclaimed bank accounts, contents of safe deposit boxes, insurance benefits, security deposits, stock dividends, travelers checks and other funds to the Comptroller's Office.

What about real estate, boats or cars?

No. Unclaimed property does not include real estate, boats or cars.

When is property considered unclaimed?

If an account at a financial institution or business has no activity or a check is unclaimed for three years, the property in that account is considered unclaimed and must be reported to the state. Uncashed travelers checks must be reported 15 years after the date of issue.

When do I report and remit unclaimed property?

Insurance companies are required to report unclaimed benefits to the Comptroller's Office by April 30 for the year ending the preceding December 31. Financial institutions and most other businesses with any type of unclaimed funds must report them by October 31 for the year ending the preceding June 30. The state of Maryland is a report-and-remit state.

How do I report unclaimed property?

Electronically: All holders are requested to file their reports electronically using the National Association of Unclaimed Property Administrators (NAUPA) format. Reports should be filed **online** on the Comptroller's Web site www.marylandtaxes.com. The Web entry application is designed to eliminate the need for holders to file hard copy reports. All holders are given the option of a manual data entry function or a file upload. ACH transfer or voucher payment options are available.

While we prefer the electronic format, we will accept paper reports when there are less than 25 accounts over aggregate. CD-ROM, diskette and e-mailed reports are also acceptable; however, the Web entry method is preferred. E-mailed reports should be sent to: **UPHOLDER@comp.state.md.us**. Our Web entry system will not

accept "zip" files. Information regarding NAUPA format is available at www.unclaimed.org or by calling or e-mailing the Unclaimed Property Unit.

Hard copy: While we prefer the electronic format, we will accept paper reports when there are less than 25 accounts over aggregate. Unclaimed property reports may be filed on **Form COT/ST 918** and **Form COT/ST 919**. Instructions appear on the forms.

Holders may use their own reports as long as all necessary information is included. Accounts of \$100 or more must be reported individually. All accounts of less than \$100 may be reported together in one aggregate amount.

The following business transactions are excluded from unclaimed property reporting requirements for reports due on or after June 1, 1998:

Outstanding checks or credits and account credit balances issued to vendors or commercial customers in the ordinary course of business, and
Purchase rebates issued to customers in the ordinary course of business.

Where do I file hard copy reports?

Report unclaimed property to the Unclaimed Property Unit, Comptroller of Maryland, P.O. Box 17161, Baltimore, Maryland 21297-1161. Businesses that have questions about reporting requirements or need forms should call the Unclaimed Property Unit at 410-767-1700 in the Baltimore area or 1-800-782-7383 from outside the Baltimore area.

What happens if I do not file?

If you are a holder of unclaimed property and do not file a report with the Comptroller's Office, you are subject to fines and penalties.

What happens after I report unclaimed property?

The comptroller advertises the names of recently reported unclaimed property owners throughout Maryland once a year.

Does the Comptroller's Office audit for unclaimed property?

Yes. Section 17-322 of the **Abandoned Property Act** states that the unclaimed property administrator may audit any business suspected of holding unreported unclaimed property. Comptroller's Office employees conduct audits for Maryland and reciprocal states. Contract auditors are also used for national firms.

What is the holder's obligation to contact the rightful owners?

Unclaimed property holders must send a notice to owners by first class mail a minimum of 30 days and a maximum of 120 days before reporting and remitting the property to the state. Notices must be mailed to all owners with amounts of \$100 or more.

What happens to the property if it remains unclaimed?

Maryland law is custodial, which means that the property may be claimed anytime during the individual's lifetime, or by legitimate heirs after the original owner's death.

What does the state do to locate unclaimed property owners?

In addition to the annual newspaper advertising campaign, the Comptroller's Office attempts to locate rightful owners by mail and through outreach programs at fairs, trade shows and shopping malls. The Comptroller's Office also matches data on unclaimed property accounts with IRS and other government agencies to locate out-of-state owners.

Does Maryland exchange property with other states?

Yes. Maryland has exchange agreements on unclaimed property with 43 states and the District of Columbia. There is an unclaimed property office in each state and in the District of Columbia.

Does the comptroller have records of unclaimed property belonging to businesses as well as individuals?

Yes. A substantial proportion of the unclaimed funds belong to businesses. The Comptroller's Office has records on approximately 758,000 accounts, dating back into the 1960s. These accounts are worth more than \$708 million.

How can we find out if there is unclaimed property belonging to our company?

Businesses should periodically call the unclaimed property office to find out if they are the owners of unclaimed funds. If your business is the owner of unclaimed property, file a **holder claim form** with the Unclaimed Property Unit and the funds will be sent to you without delay. For more information, contact the Unclaimed Property Unit by e-mail at UPHOLDER@comp.state.md.us or by phone at 410-767-1700 from the Baltimore area, or 1-800-782-7383 from outside the Baltimore area.