



Holder Outreach Newsletter

California Unclaimed Property Program

This newsletter is intended to keep all businesses, financial organizations, and other holders of unclaimed property well informed. Highlights of important news, useful information, and changes pertaining to unclaimed property are provided to assist holders with California reporting requirements.

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1577 Interest Assessment Overview

Under California law, the assessment of interest is mandatory for failure to report, pay, or deliver unclaimed property on time, unless there is a showing of reasonable cause for the delay. Reasonable cause pertains to circumstances beyond the holder's control in the absence of willful neglect. California cannot waive interest for voluntary disclosure unless there is reasonable cause for the failure to report, pay, or deliver unclaimed property on time ([Code of Civil Procedure \(CCP\) section 1577](#)).

Timely reporting is determined by the type of property, the dormancy period, and the reporting year elected by the holder. The reporting "As of" date shall be either June 30 or the preceding fiscal yearend. Once property has remained unclaimed for the required dormancy period, it becomes reportable.

The dormancy period is a specified period of time in which the property owner does not take action on his or her property. The dormancy period, also known as escheat period, commences on the date of last activity by the owner. Dormancy periods vary depending on the property type. Most properties have a three-year dormancy period with

the exception of wages, liquidating distributions, ordered refunds, money orders, and traveler's checks. The complete dormancy table is available for download at:

www.sco.ca.gov/upd_rptg.html

The date of last contact determines the start of the dormancy period. The running of the dormancy period combined with the holder's "As of" date dictates the report year the property is reportable in.

In the following example, the same property is reportable in different years depending on the fiscal yearend or "As of" date of the holder.

If the holder's fiscal yearend is 12/31/10, and they elect to report "As of" that date:

- "As of" date = 12/31/2010
- Uncashed Check payable 1/1/07 (3 year dormancy)
- Reportable by 10/31/11
(Due diligence performed 10/31/10-4/30/11).

If the holder elects to report "As of" 6/30/10:

- "As of" date = 6/30/10
- Uncashed Check payable 1/1/07
- Reportable by 10/31/10
(Due diligence performed 10/31/09-4/30/10).

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1577 Interest Assessment

Overview

(Continued from page 1)

Life Insurance companies have an “As of” date of December 31, and the Holder Notice Report is due by April 30 of each year.

The Holder Notice Report for all other holders is due before November 1 of each year. Interest will be assessed for late reporting of the properties in the Holder Notice Report and a 1577 “Notice of Interest Assessment” letter will be prepared. Seven to seven and a half months after the Holder Notice Report, a Holder Remit Report will be due. If the Holder Remit Report and remittance are not received timely (June 1-15 or December 1-15 for insurance companies), additional interest will be assessed and a 1577 “Notice of Interest Assessment” letter will be prepared for the late Holder Remit Report or remittance. If all properties on the Holder Notice Report have been returned to the owners through due diligence, a negative report must be submitted to avoid the 1577 assessment for failure to submit a Holder Remit Report.

The following errors on the Holder Notice Report may contribute to interest assessment:

- Incorrect “As of” date for the holder’s fiscal yearend.
This may result in interest for late reporting. If a fiscal yearend is not specified on the Holder Notice Report, the report will be rejected. The “As of” date must be reported on the UFS-1 form.
- Incorrect reporting of the Date of Last Contact (DLC).
DLC’s should be reported as the “Prop-Starting-Transaction-Date”. The Starting Transaction Date is the date when the last deposit or withdrawal occurred, the date the mail was returned, or the date on which the property became payable, redeemable dormant, or returnable (for example, issue date of a check). It is the date you first lost contact with the owner, not the date the account was opened, nor the share purchase date.

1577 Interest Calculations Explained

1577 interest calculations are generated automatically through the SCO’s Unclaimed Property computer system, applying a formula based on the 12% per annum rate ([CCP §1577](#)), multiplied by the property value and the number of days the report is late.

- 1577 Interest Rate = 12% per annum.
- Daily Interest = property value multiplied by 12%, divided by 365 (days per year).
- Interest Due = Daily Interest x Number of Days Late.

Example

Holder Remit Reports and remittances are due by June 15 (non-life insurance). If the Holder Remit Report is received on August 1, 2011, in the amount of \$10,000, the daily interest rate is calculated as follows:

- $\$10,000 \times 12\% = \1200 divided by 365 days per year ($\$1200/365$) = \$3.28767.
- The number of days a report is late begins the day after the report is due and ends the day the report is received (June 16 to August 1) = 47 days.
- Interest due is the daily rate multiplied by number of days late ($\$3.28767 \times 47$) = \$154.52.

If a holder disagrees with an interest assessment or has recently amended their Holder Notice Report, written documentation must be provided with evidence of the change, and the holder should refer to the contact information contained in the 1577 Notice of Interest Assessment letter.

For further information regarding reporting requirements, interest and penalties, or required forms, the Unclaimed Property Holder Handbook is available to download from our website at: www.sco.ca.gov/upd_form_rptg.html. Detailed property report cycles are also available on SCO’s website, with date ranges based on property type, dormancy period and holder “As of” date. These property report cycles and dormancy tables are available at: www.sco.ca.gov/upd_rptg.html.



Due Diligence Requirement

In order for holders to be relieved of liability for property escheated to the SCO, the holder must comply with the due diligence requirement and notify the property owner(s) for all properties valued at \$50 or more prior to submitting a Holder Notice Report.

Due diligence notices can be sent electronically with the owner's consent or mailed to the owner's last known address not less than six months nor more than 12 months before the property becomes reportable. For the 2012 report year, due diligence notices should be sent to owners between 10/31/11-4/30/12.

Holders shall not be immune from liability if they have not taken minimum steps to comply with the owner notification provision of the law ([CCP section 1560](#)). The face of the notice must contain a heading centered at the top that reads as follows:

THE STATE OF CALIFORNIA REQUIRES
US TO NOTIFY YOU THAT YOUR
UNCLAIMED PROPERTY MAY BE
TRANSFERRED TO THE STATE IF YOU
DO NOT CONTACT US.

The notice must also clearly state that the property will escheat to the State if a timely response to the notification is not received. Owners can respond to due diligence letters with a phone call or electronic communication to stop the property from escheating. Holders can impose up to a \$2.00 service charge for administrative costs to send a due diligence notice ([Code of Civil Procedure sections 1513.5, 1514, 1516, and 1520](#)).



Reporting Reminders

To ensure unclaimed property reports are accepted on the first submittal and 1577 interest is not applied due to a reporting error, the following list details some important reporting reminders:

- “As of” date Must be Included on the Holder Notice Report and Universal Holder Face Sheet (UFS-1)

As illustrated in the previous section, the “As of” date is paramount in determining what properties must be included in the Holder Notice Report based on the last transaction date and the holder's elected reporting “As of” date. If this information is missing the report will be rejected and may be subject to 1577 penalties if not corrected in a timely manner.
- An Original Signature is Required on the UFS-1 (Unless Submitting Multiple Reports)

The UFS-1 is a legal document and must include the total number of properties, “As of” date, holder contact number, and original signature. Reporting agents submitting reports for multiple holders may submit a signed transmittal letter containing UFS-1 verification language with a list of all reports being submitted, and a stamped UFS-1 for each report. The contact information in Section C must match the contact information entered in the electronic report field “Holder Contact II.” This is the contact information the SCO provides to owners on the pre-escheat notices.
- The Report Totals Must Match

The total on the UFS-1 must match the electronic report total, and the remittance must be sent to the SCO with the Holder Remit Report (if sent with the Holder Notice Report it will be returned). Discs must be properly formatted and match the information on the UFS-1.

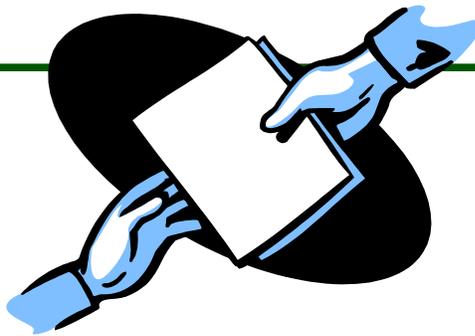


2010/2011 Owner Reunification Efforts



Together in Fiscal Year (FY) 2010-2011, the SCO and holders of unclaimed property have made it possible to return 286,675 properties totaling \$240 million to California owners! Other significant efforts include:

- * In FY 10/11, the SCO mailed approximately 1.3 million owner notices, and
- * 4.4 million in new properties were added to the SCO website from Holder Notice Reports.





Important Upcoming Dates



Before November 1: HOLDER NOTICE REPORTS due.

October 31-April 30: BEGIN DUE DILIGENCE for 2012 report year.

December 1-15: HOLDER REMIT REPORTS and REMITTANCES due for life insurance companies.

April 30 -October 31: HOLDER DUE DILIGENCE for life insurance companies, 2012 report year.



Contact Us:

**California State Controller's Office
Unclaimed Property Division
P.O. Box 942850
Sacramento, CA 94250-5873**

www.sco.ca.gov

Reporting Assistance: (916) 464-6284

Claims Assistance: (800) 992-4647
(outside USA) (916) 323-2827



1577 Interest Assessment Unit: (916) 464-6092
(for CA CCP §1577 inquiries)
1577info@sco.ca.gov

Outreach and Compliance Unit: (916) 464-6088
UPDcompliance@sco.ca.gov

Questions regarding securities:
UPDSecRecon@sco.ca.gov

Questions regarding EFT Remittance:
UPDSCOEft@sco.ca.gov

We want your input!

Please send us your newsletter comments, ideas, or concerns to: UPDHolderOutreach@sco.ca.gov



The SCO offers a free e-mail subscription service to receive updates and notices about the unclaimed property law, forms, SCO's quarterly newsletter, and more.

To subscribe visit:

www.sco.ca.gov/upd_rptg_outreach.html

