Fiscal Analysis Department
Minnesota House of Representatives

ISSUE BRIEF

The Minnesota Unclaimed Property Program
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This paper provides some background on Minnesota's Unclaimed Property Program operated by the Minnesota Department of Commerce.

History/Background

Minnesota first established an Unclaimed Property Program in 1969. The program is created under Minnesota Statutes, Chapter 345 and overseen by the Minnesota Department of Commerce.[1] While Chapter 345 provides relevant definitions, there is no set definition of the term "unclaimed property" within the statute. According to the National Association of Unclaimed Property Administrators (NAUPA), unclaimed property "refers to accounts in financial institutions and companies that have had no activity generated or contact with the owner for one year or a longer period."[2] Unclaimed property can come in multiple forms, including: savings or checking accounts, stocks, un-cashed dividends or payroll checks, refunds, traveler's checks, trust distributions, unredeemed money orders or gift certificates (in some states), insurance payments or refunds and life insurance policies, annuities, certificates of deposit, customer overpayments, utility security deposits, mineral royalty payments, and contents of safe deposit boxes (NAUPA).

Additionally, Minnesota Statutes lay out procedures for the public, state officials, and financial institutions on how to handle unclaimed property. The statutes also provides that the Department of Commerce is required to make attempts at finding and reaching out to the rightful owners. It provides that at least 15 percent of the budget for this program goes towards this outreach. [3]

[1] See Minnesota Statutes, Chapter 345 at: https://www.revisor.mn.gov/statutes/?id=345&view=chapter
[2] See information on unclaimed property on the National Association of Unclaimed Property Administrators at: https://www.unclaimed.org/what/
[3] Minnesota Statutes, Section 345.49 Subdivision 2

The Unclaimed Property Process in Minnesota

First, unclaimed property is turned in to county officials. In some cases county officials may sell the property at auction, but they may be required to turn it over to Department of Commerce. Next, the Department of Commerce will try to identify the last known owner and the address of the last known owner of the property. After identification, last known names and addresses of rightful owners are recorded and made public through the web site www.missingmoney.com. The Department also does yearly outreach at the Minnesota State Fair. After proving their identity and right to the property (there are different provisions for different circumstances), rightful owners will have the property returned to them.

If unclaimed, physical property is held onto by the state. In the case of securities or other monetary holdings, any property still unclaimed after a year is transferred into the state's General Fund. These funds can still be given back to the rightful owner later, but are in the General Fund as non-dedicated revenue until claimed. Minnesota Statutes appropriate from the General Fund the amounts needed to pay the owners of unclaimed property when those owners are identified. [4]

Comparison to Other States

In 2013, the Council on State Taxation published a report on states' unclaimed property programs and listed the top 10 states.[5] States were evaluated based on a variety of factors, including the period of limitations, provisions for an independent appeals process, and the penalty provisions for failing to report unclaimed property. The top 10 states were Massachusetts, Virginia, Illinois, Indiana, North Carolina, Wisconsin, Arizona, Kansas, Maryland, and Ohio. Minnesota received a "C+" in these rankings.

All the states listed in the top 10 above do some type of newspaper listing in order to reach those who may not know about unclaimed property programs and may not have access to the internet. This is in addition to sending out letters to find the rightful owners. Massachusetts also does outreach at fairs and at nursing homes.

Most states do not publish their return rates. While Minnesota's return rate averaged close to 48 percent over three years (fiscal years 2013-2015), it is unknown how this compares to other states. A complicating factor could be that states also calculate the return rate differently; Minnesota, for instance, includes its securities in the return rate. Inclusion of securities could affect the return rate as securities tend to be larger amounts than other types of unclaimed property.

[4] Minnesota Statutes, Section 345.49, Subdivision 2

[5] See the Council on State Taxation publication "The Best and Worst of state Unclaimed Property Statutes" by Douglas L. Lindholm and Ferdinand S. Hogroian dated October 2013 at: http://www.cost.org/WorkArea/DownloadAsset.aspx?id=85349

Criticism and Lawsuit

Over recent years, the Unclaimed Property Program has faced criticisms of not providing adequate means to return that property. Furthermore, there is currently a class-action lawsuit being brought against the state by a member of the public, Timothy Hall Jr., arguing that the state makes a larger effort to collect unwanted property than to return it.[6] Additionally, the lawsuit argues that the money collected should not be added to the General Fund and that the state should not profit from unclaimed property that has rightful owners.

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[6] See the January 28, 2016 article in MINNPOST by Briana Bierschbach at: https://www.minnpost.com/politics-policy/2016/01/does-minnesotas-unclaimed-property-program-safeguard-abandoned-assets-or-sei