



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

Senator Howard Marklein Testimony in Support of Senate Bill 603

Good morning Senators, and thank you for the opportunity to testify in favor of Senate Bill 603. This bill was brought to us by the Department of Revenue (DOR). Currently there are a large number of abandoned savings bonds in the possession of DOR.

Estimates from the Department indicate around \$400,000 worth of savings bonds that are abandoned and sitting with DOR. These bonds have come to the Department through different channels, including abandoned safe deposit boxes. Currently, there is no structure set up to return, utilize, or do anything with these bonds. U.S. savings bonds cannot be transferred to new owners. For this reason \$400,000 worth of savings bonds sit abandoned without any ability to return them to rightful owners.

This bill sets up a system to effectively return or utilize these bonds. Under this bill, any savings bond that has fallen into the custody of DOR and is five or more years past its maturity date will be enrolled into the unclaimed property system. DOR must spend at least one year attempting to contact the rightful owner of the abandoned bond. After that year the department may seek a court order to transfer the ownership of the bond to the State of Wisconsin.

The Department must then redeem the bond within three years of taking ownership, and deposit the proceeds into Wisconsin's Common School Fund. Importantly, if the owner of a savings bond comes forward to DOR, they have the right to redeem the value of that bond at any time.

Currently this bill only applies to savings bonds that are directly held by DOR. It should be noted that the Federal Government currently holds \$16 billion in matured U.S. savings bonds. The Department has estimated that Wisconsin's share of these bonds could equal \$300 million. There is a legal case pending in Federal Court seeking the right for states to access the Federal Government's list of past due bonds. If this action succeeds, the system we set up in this bill will be even more important to our state.

Thank you again for allowing me the opportunity to testify in support of this bill, and I would welcome any questions.



TERRY KATSMAS

STATE REPRESENTATIVE • 26th ASSEMBLY DISTRICT

Phone: (608) 266-0656

Toll-Free: (888) 529-0026

Rep.Katsma@legis.wi.gov

P.O. Box 8952

Madison, WI 53708-8952

Date: January 28, 2016
To: Senate Committee on Revenue, Financial Institutions, and Rural Issues
From: Representative Terry Katsma
Re: Senate Bill 603: abandoned U.S. savings bonds

Dear Chairman Marklein and Committee Members,

Thank you for convening a public hearing on Senate Bill (SB) 603, a bill that would enable the State of Wisconsin to redeem unclaimed monies from the federal government.

Under current law, unclaimed or abandoned property—such as the contents of abandoned safe deposit boxes—occasionally becomes subject to the custody of the Department of Revenue (DOR). In most instances, if the rightful owner makes no claim to retrieve his or her property, the property is eventually auctioned off to the public.

However, U.S. savings bonds are not transferable to new owners; only the named owner or his or her rightful heir may redeem them. Therefore, whenever DOR becomes the custodian of U.S. savings bonds, the agency must simply hold the bonds unless and until the rightful owner claims them. Today, DOR is already the custodian of a quantity of U.S. savings bonds. It is also possible that an ongoing federal lawsuit will compel the federal government to inform states of the existence of a larger quantity of mature U.S. savings bonds—worth billions of dollars—that have gone unredeemed for decades.

SB 603 addresses both the bonds already in the custody of DOR as well as the larger quantity of unredeemed bonds that may be made known in the future. It provides:

- that a U.S. savings bond that remains unredeemed for five years after its final maturity (the date at which it stops earning any interest) is presumed abandoned and becomes subject to the custody of the state;
- that, if DOR has spent at least one year attempting to contact the rightful owner of an abandoned U.S. savings bond, DOR may seek a court order transferring ownership of the abandoned bond to the state;
- that DOR must redeem a bond within three years after a court order transfers its ownership to the state and deposit the proceeds into the school fund; and
- **that at any time before or after the court judgment, the rightful owner of a U.S. savings bond may file a claim with DOR to receive payment for the bond's value.**

I urge you to support SB 603 and thereby enable Wisconsin to benefit from monies that would otherwise remain unpaid by the federal government forever.



Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

January 28, 2015

**Testimony to the Senate Committee on Revenue, Financial Institutions, and Rural Issues
on Senate Bill 603**

Chairman Marklein and members of the committee, thank you for the opportunity to testify in favor of SB 603, which will establish a process for escheating unclaimed U.S. Savings Bonds to Wisconsin. This bill will provide for a more efficient and effective means to handle unclaimed U.S. Savings Bonds.

I want to thank Senator Marklein and Representative Katsma for bringing this bill forward and working with the department to develop the language. Currently, ten states provide for escheatment of U.S. Savings Bonds, including four within the last year. Seven other states have legislation pending this session.

The state comes into possession of U.S. Savings Bonds through the unclaimed property program when those bonds are left in unclaimed safety deposit boxes. Banks turn over the contents of the safety deposit boxes to the state after they can no longer locate the owner of the box and rental fees for the box have ceased to be paid.

The unclaimed property program advertises the name of the owner of the box in accordance with the statutes. We hold the contents of the safety deposit box for three years as required, then auction the contents of the box. The proceeds of the auction are kept in the unclaimed property fund until such time as the owner or an heir claim the property. However, the U.S. Savings Bonds are separated out, as they cannot be auctioned. The unclaimed property program keeps the physical U.S. Savings Bonds until the owner of the safety deposit box or an heir comes forward to claim the property. Retaining these physical documents is very inefficient and different than how all other unclaimed property is handled. The physical bond is given to the owner or heir at the time of the claim.

The name on the bond does not always match the name on the safety deposit box. As you can imagine, for instance, a parent may store their children's bonds in their box. If that is the case, the unclaimed property program never advertises the name of the bond holder because the unclaimed property as reported to us, is in the name of the safety deposit box owner. There has never been an inventory of the bonds in possession of the unclaimed property program. It is estimated that the current amount from bonds in possession for Wisconsin could be \$500,000-\$600,000.

The U.S. Treasury does very little to advertise unclaimed bonds. This bill provides a state mechanism for reuniting bond holders with their property. Under this bill, the unclaimed property program would for the first time undertake an effort to return U.S. Savings Bonds to the bond holders. DOR would seek to find the bond holder if the bond is unclaimed five years after maturity. If the department is unable to locate the bond holder within one year, the state would be able to escheat, take ownership, of the bond through a court action.

This would allow the state to redeem the bonds with the U.S. Treasury and deposit the funds into the common school fund, as the Wisconsin Constitution requires we do with unclaimed property. The principal of the common school fund is used to provide loans to Wisconsin's school districts and municipalities for public purpose projects through the State Trust Fund Loan Program. The net earnings of the common school fund provide public school library aid throughout the state. Under current law, unclaimed U.S. Savings Bonds are not sent to the common school fund because they sit as physical pieces of paper in boxes in the basement of DOR awaiting a claimant.

The unclaimed property program would continue to advertise the names of the bond holders after the bond is redeemed and would pay the value of the redeemed bond to a proper claimant. This mirrors the process that other unclaimed property follows.

Thank you again for the opportunity to discuss SB 603.