

1999 DRAFTING REQUEST

Bill

Received: **01/15/99**

Received By: **hubliks**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Holden**

This file may be shown to any legislator: **NO**

Drafter: **rmarchan**

May Contact:

Alt. Drafters:

Subject: **Fin. Inst. - miscellaneous**

Extra Copies:

Topic:

DOA:.....Holden - Unclaimed Property Law Changes

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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/1			jfrantze 01/19/99	_____	lrb_docadmin 01/19/99		

FE Sent For:

<END>

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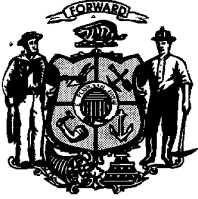
See Attached

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FE Sent For:

<END>



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864



Date: January 15, 1999

Priority: High

To: Steve Miller
Legislative Reference Bureau

From: Kerry Holden, SBO, 6-8593 *KH*

Subject: Draft for Governor's 1999-2001 Budget Bill - Unclaimed Property Law

Please draft for inclusion in the Governor's 1999-2001 budget bill language that will remove credit balances from the definition of intangible property under the unclaimed property law. Intangible property is defined in s. 177.01(10)(b), Wisconsin Statutes. Please call me with any questions. Thank you.

INTERNATIONAL PAPER

DAVE KLUESNER
REGIONAL PUBLIC
AFFAIRS MANAGER

18 NORTH CARROLL STREET
SUITE 800
MADISON, WI 53703-2716
PHONE 608 255 0231
FAX 608 255 0227

November 16, 1998

Mark D. Bugher, Secretary
Wisconsin Department of Administration
P.O. Box 7864
Madison, WI 53707-7864

Post-it® Fax Note	7671	Date 1-15-99	# of pages 7
To Rob Marchant		From Kerry Holden	
Co./Dept. LRB		Co. DOA - SBO	
Phone # 1-4454		Phone # 6-2543	
Fax # 6-5648		Fax #	

Dear Secretary Bugher:

The purpose of this letter is to urge your support for a change to the state's unclaimed property law. Specifically, International Paper requests that a revision to S.177.01(10)(b) be included in the Governor's 1999-2001 biennial budget bill that would eliminate credit balances from the statutory definition of unclaimed property.

As you know, International Paper is a global manufacturer and distributor of paper and other forest products. Each day, we transact business with thousands of customers. These same customers will adjust the payment of their invoices if they disagree with the invoiced amount. Such adjustments may relate to pricing, damaged goods, quality or quantity. Some of the payment adjustments reference specific invoices while other adjustments reference the customer's debit memorandum and include such items as damage or quality issues not discovered at the time of receipt or retroactive pricing adjustments on previously paid invoices.

Customer adjustments on invoices are posted as open transactions to the customer's account. Information is then provided to the sales and marketing area to resolve the adjustment with the customer. Most adjustments are resolved in the customer's favor, and a sales credit is issued to the customer's account. The issuance of the sales credit serves to properly reflect the adjustment in our sales reporting. In many cases, the sales credit is issued on an internal basis only. No copy is sent to the customer, because the only purpose of the credit is to clear the outstanding adjustment on the customer's account.

Within the accounts receivable area, the open debit and credit balances must be cleared from customer accounts. This is a tedious and complex process caused by varying reference numbers, amounts and timing differences. On a periodic basis, we review customer balances and write-off old debit and credit balances. It is impractical and not value added for us to research all of the detail. The predominance of the write-offs consist of debit balances. Credit balances written off

during this process are not legitimate unclaimed property but rather the result of bookkeeping errors and timing differences.

We conduct business with the overwhelming majority of our customers on an ongoing basis. Customer satisfaction is a top priority from senior management to entry level employees. Accounts that are due to our customers are settled as we conduct business over time. Our customers are shrewd business people with sophisticated systems and excellent personnel. If we do not satisfy them with first class service and settle amounts due to them, they are quick to let us know.

The Wisconsin statute that requires accounts receivable credit balances that result from bookkeeping errors, internal procedures and timing differences to be reported as unclaimed property needs to be changed. Requiring businesses to dedicate resources to research and prove that such credit balances are not truly unclaimed property places an unfair and unproductive burden on all companies that do business in our state.

On September 14 of this year, I met with Treasurer Jack Voight regarding this issue. His office administers unclaimed property for the state, and I requested his support for this change. As of this date, I have not yet received a response. I do not want to give the appearance of circumventing anyone's authority in this matter, but this is an important issue and time is running short regarding the development of the Governor's budget.

Thank you in advance for your help and support with this issue. If you have any questions, or need additional information, please have your staff give me a call.

Sincerely,

Dave Kluesner

Unclaimed Property Section

NOTICE

Comptroller of the Treasury • Unclaimed Property Section • 301 W. Preston St. Room 310 • Baltimore, Maryland 21201-2343
410-767-1700

**CHANGE IN UNCLAIMED PROPERTY
REPORTING REQUIREMENT**

Effective **JUNE 1, 1998**, "personal property" reportable to the state does not include the following property types:

- Credits in connection with the sale of consumer goods to a wholesaler or retailer in the ordinary course of business.
- Outstanding checks or credits issued to vendors or commercial customers in the ordinary course of business, other than property described in § 17-301(a) of the Maryland Uniform Disposition of Abandoned Property Act held by a banking organization or financial organization.
- Credit balances in vendor or commercial customer accounts that occur in the ordinary course of business, other than property described in § 17-301(a) of the Maryland Uniform Disposition of Abandoned Property Act held by a banking organization or financial organization.
- Purchase price rebates issued to customers in the ordinary course of business.

NOTE: Gift certificates were exempted as a result of prior legislation.

QUESTIONS?

Call 410-767-1700 in Central Maryland

or

1-800-782-7383 from elsewhere

For the hearing impaired: Maryland Relay Service 1-800-733-2258 TDD: 410-874-3157 (Baltimore metro area)
If you need a reasonable accommodation for a disability, please contact us before you visit. If you need the information in this bulletin in an alternate format, contact: Public Affairs Office 410-874-5995 (voice) 410-874-3157 (TDD)

Taxation and Fiscal Policy Committee

REMOVE CREDIT BALANCES FROM THE DEFINITION OF UNCLAIMED PROPERTY

POSITION: NCCBI believes the North Carolina General Assembly should clarify that account receivable credit balances, in connection with the sale of consumer goods to a wholesaler or retailer in the ordinary course of business, are not subject to the North Carolina Escheats and Abandoned Property Act.

EXPLANATION: This clarification is to remove the costly burden to businesses for tracking credit balances which occur in its accounts receivable. Each day businesses have multiple transactions such as billing, cash receipts posting, credit disputes, and issuing credit memos which have the potential for creating errors. These errors may include data entry error, posting to the wrong account, account number errors, foreign exchange rate difference or credit memos issued twice. On a periodic basis, credit managers clean-up their customer account balances by writing off certain aged debit and credit balances. Most credit balances are the result of some type of transaction error and fall below the level of materiality requiring further research or resolution. Therefore, this clean-up effectively reverses previous accounting errors and are not truly unclaimed property. This clarification would affect transactions between a manufacturer or seller of consumer goods and its wholesaler or retailer in the ordinary course of business. Both businesses maintain detail accounting records, and if one company truly owed the other business, the debt would have been on both businesses books, and the creditor would make certain to collect the debt.

The state of North Carolina is currently requiring that businesses either prove that each credit balance is the result of an error or report that amount as unclaimed property. For most businesses, the record keeping requirements to track these balances would be costly and result in only a very small amount of these balances actually being escheatable. Moreover, the administrative policy of the state is contrary to the notion that businesses do not abandon property in the ordinary course of business.

Many states have either excluded credit balances from the definition of unclaimed property or have made it a practice of not requiring credit balances to be listed as unclaimed property. We need to help our North Carolina businesses to operate more efficiently by not requiring the listing of account receivable credits balances as unclaimed property.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1808/1
RJM:.....

TODAY

JLg 1

DOA:.....Holden - Unclaimed Property Law Changes

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

Redraft
make
not
run

D-NOTE

do not gen. cat.

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau
COMMERCE AND ECONOMIC DEVELOPMENT ✓
COMMERCE ✓

Under Wisconsin's version of the Uniform Unclaimed Property Act (UUPA), certain types of intangible property are presumed to be abandoned, if the owner of the property fails to take steps to evidence ownership within a specified time period. The holder of the property that is presumed to be abandoned must report and deliver the property to the state treasurer, unless the presumption is incorrect. If the presumption of abandonment is incorrect, the holder must file a statement with the state treasurer explaining the error in the presumption.

The UUPA defines "intangible property" to include a credit balance. Thus, if the presumption of abandonment applies, the UUPA requires a vendor to report and deliver to the state treasurer the amount of a credit made to a commercial sales account. If the credit balance resulted from the vendor's bookkeeping error or otherwise does not reflect an actual credit owing to a customer, the vendor must demonstrate to the state treasurer that the credit balance is not abandoned property.

This bill excludes from the definition of "intangible property" a balance credited by a business association to a commercial customer's account in the ordinary course of business. Thus, this bill eliminates the requirement that a vendor report and

deliver to the state treasurer an abandoned sales credit issued to a commercial customer's account.

RFE-S

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 177.01 (10) of the statutes is renumbered 177.01 (10) (a). ✓

2 SECTION 2. 177.01 (10) (b) of the statutes is created to read:

3 177.01 (10) (b) "Intangible property" does not include a credit balance issued
4 to a commercial customer account by a business association in the ordinary course
5 of business, unless the credit balance is property described in s. 177.06 (1) or (2) held
6 by a banking organization or financial organization.

7 SECTION 9151. Nonstatutory provisions; treasurer. ✓

8 (1) UNCLAIMED PROPERTY TRANSITIONAL PROVISION. The renumbering of section 177.01
9 of the statutes of section of the statutes (10) and creation of 177.01 (10) (b) does not apply to abandoned property delivered
10 to the state treasurer before the effective date of this subsection. ✓

11 (END) ✓

D-NOTE
↓

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1808/jdn

RJM:.....

149 (1)

The attached draft amends Wisconsin's Uniform Unclaimed Property Act[✓] to exempt credit balances in commercial customer accounts from the definition of "intangible property." This amendment generally removes the requirement that business associations report and deliver to the state treasurer credit balances in commercial customer accounts. However, ss. 177.14[✓] and 177.19[✓] specifically require business associations to report and deliver to the state treasurer abandoned credit memos and gift certificates. If you would also like me to exempt business associations from these requirements, please let me know.

Robert J. Marchant
Legislative Attorney
261-4454

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1808/1dn
RJM:jlg:jf

January 19, 1999

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State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1808/1

RJM:jlj:jf

DOA:.....Holden – Unclaimed Property Law Changes

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

1 **AN ACT ...; relating to:** the budget.

Analysis by the Legislative Reference Bureau

COMMERCE AND ECONOMIC DEVELOPMENT

COMMERCE

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This bill excludes from the definition of "intangible property" a balance credited by a business association to a commercial customer's account in the ordinary course of business. Thus, this bill eliminates the requirement that a vendor report and deliver to the state treasurer an abandoned sales credit issued to a commercial customer's account.

