

SOVOS



UPDATE

Your trusted resource in unclaimed property

3rd Quarter | 2025 Newsletter



Contents

- 03 [Why Data Matters in Unclaimed Property Reporting](#)
- 05 [Ohio House Bill 96: State Seizes Unclaimed Funds for Football Stadium Amid Constitutional Concerns](#)
- 07 [NAUPA III Format Update](#)
- 08 [Delaware Issues New Guidelines for Reporting “Illicit Property” Under Unclaimed Property Laws](#)
- 10 [Michigan Appellate Court Strengthens State’s Unclaimed Property Collection Powers](#)

UPDATE

Unclaimed Property
[Tax Information Reporting](#)
[Statutory Reporting](#)
[Sovos Education](#)

Contact Us: <https://sovos.com/contact-us/taxregulatoryreporting@sovos.com>

© 2025 Sovos Compliance, LLC.
SOVOS is a registered trademark of
Sovos Compliance, LLC

Why Data Matters in Unclaimed Property Reporting

Laurie Andrews, Principal Consulting Director

In the world of unclaimed property (UP), data isn't just a technical detail—it's the foundation of compliance, and ultimately, key to the successful return of property to its rightful owner. From the moment a holder begins preparing for a reporting cycle, the accuracy of data matters. Errors or omissions in data can misdirect property, delay claims, or even prevent rightful owners from being reunited with their funds. The role of data is critical in the UP lifecycle and getting it right is more than just good practice—it's essential.

It Starts with the Holder: Pulling the Right Data

The process begins when a holder retrieves data to identify property that may need to be reported. This involves validating the information thoroughly rather than simply exporting it. The following are some important fields that should be included, when available.

- **Property Type:** Specifying the type of property being reported, such as an IRA, deposit account, CD, brokerage account, insurance policy, trust account, check, credit, paycheck, or other disbursement is critical. Identifying the property type is important because dormancy periods may vary accordingly. In addition, there may be additional factors, including court blocked accounts, UGMA/UTMA, ESAs, or similar account types that will dictate when property becomes unclaimed.
- **Last contact or activity date:** Holders must confirm that any activity used to reset dormancy is truly owner-generated. For example, a system-generated interest payment or internal adjustment doesn't qualify. Only legitimate owner actions – including, but not limited to, logging in to their account, a deposit, withdrawal, or communication from the owner – can reset the dormancy clock.
- **Date of Birth:** An owner's date of birth may affect when property must be reported to the state, especially for IRAs, 529s, UGMA/UTMA accounts, and even life insurance.
- **Date of Death:** An owner's date of death can impact when property becomes reportable to the state. Most notably, several states implemented policies that reduce the dormancy period, sometimes to two years, following an owner's death.
- **Returned Mail Date:** Mail returned by the post office (RPO) can be a factor in determining when property is reportable, especially when considering the escheatability of IRAs, securities, and certain bank accounts.
- **Joint Owners and Beneficiaries:** Many financial assets may be held jointly or designate beneficiaries who are entitled to the property upon certain events, such as the death of the original owner. Including accurate information about joint owners and beneficiaries ensures that the property is reported according to the correct legal ownership and that all individuals with a rightful claim are recognized. Failing to identify and record joint ownership or named beneficiaries can lead to delays, misdirected property, or even legal disputes, as states may not have sufficient information to adjudicate claims quickly or accurately.



Precision in Address Data: Why City, State, and ZIP Matter

Once property is identified, the next challenge is ensuring the accuracy of address data. The state to which property is reported is determined by the last known address of the owner. A missing ZIP code or a mismatched city-state combination can result in reporting property to the wrong jurisdiction or misdirected due diligence letters. This not only risks non-compliance but also delays the return of property to the rightful owner. Mistakes here can send property to the wrong state or into the “unknown” category.

Consider these real-world examples:

- Jersey vs. New Jersey: A record with “Jersey” in the city or state field rather than in the country field may be misinterpreted as the U.S. state of New Jersey, when it actually refers to the Channel Islands. This could result in misreporting to the wrong jurisdiction.
- CA for Canada: Using “CA” in the state field might be intended to mean Canada, but it’s interpreted as California. Without proper country designation, property could be misdirected.
- Foreign or Unknown Addresses: When no valid U.S. address is available, property is often reported to the state of incorporation under the 1964 Supreme Court Case *Texas v. New Jersey*. This legal precedent ensures that property with unknown or foreign addresses is still reportable—but only if the holder’s data supports that determination. There is some controversy regarding where to report foreign property due to a recent law passed by Delaware.

Due Diligence: The Data-Driven Outreach

Before property is escheated, holders are required to perform due diligence—attempting to contact owners and alert them to their dormant assets before it’s sent to the states. This step hinges on having complete and correct contact information. Incomplete addresses, outdated emails, or missing phone numbers can render outreach ineffective. If you are in a business where assets under management matter, due diligence is a critical step in retaining your customers.

Reporting to the State: The Final Data Package

When it’s time to report, data completeness becomes even more critical. States require specific fields—such as Social Security numbers, complete addresses, all joint owners or beneficiaries, birth dates, and account numbers—to process claims and verify ownership.

Incomplete records slow down the process and may require additional outreach or investigation. Worse, they may prevent rightful owners from ever being identified. Having these critical data points will help reduce fraudulent payouts as well.

Why It All Matters: Reuniting Owners with Their Property

Ultimately, the goal of unclaimed property reporting is to return assets to their rightful owners. Every piece of data - from a ZIP code to a Social Security number - plays a role in making that happen. Incomplete or inaccurate data doesn’t just affect compliance - it affects people. It’s the difference between a successful claim and frustration for the owner.

Closing Thoughts

Unclaimed property is more than a regulatory obligation—it’s a commitment to doing right by people. Every field, every date, every name matters. When holders take the time to ensure their data is accurate and complete, they’re not just following the law—they’re helping someone reclaim a piece of their financial story.

As the UP landscape continues to evolve, the importance of data only grows. Whether you’re a small business using Sovos’ Unclaimed Property Exchange or a large enterprise leveraging Sovos’ managed services, the message is clear: data matters. It’s the thread that connects holders, states, and owners—and it deserves our full attention.



Ohio House Bill 96: State Seizes Unclaimed Funds for Football Stadium Amid Constitutional Concerns

Freda Pepper, General Counsel, Unclaimed Property

Ohio has enacted legislation allowing the state to permanently seize \$1.7 billion in unclaimed funds from residents to fund sports facilities, including \$600 million for a new Cleveland Browns dome. The move comes despite widespread criticism about constitutional violations and abandoning property rights protections.

Governor Mike DeWine signed House Bill 96, Ohio's biennial operating budget, on June 30, 2025. The \$200 billion budget includes several controversial provisions, but none more divisive than the state's unprecedented decision to permanently take ownership of billions in unclaimed funds that belong to Ohio residents and to use such funds toward the construction of a new football stadium.

The Unclaimed Funds Provision

The most controversial aspect of HB 96 involves a fundamental change to how Ohio handles unclaimed property. Under the new law, the state will divert \$1.7 billion of the \$4.8 billion in unclaimed funds held by the state to create a new sports facilities fund, with \$600 million earmarked for a cash grant for the Cleveland Browns' Haslam Sports Group.

According to the legislation's text, beginning January 1, 2026, the state will implement a new "escheatment" process whereby:

- **Unclaimed funds reported before January 1, 2016,** will be deemed abandoned and escheat to the state on January 1, 2026
- **Funds reported after January 1, 2016,** will escheat to the state on the tenth anniversary of their reporting date
- **All property rights and legal title** to these funds will vest solely in the state once deemed abandoned

The law does provide a limited window for recourse: former owners can file claims until January 1, 2036, but after that date, any claims filed would be void.

Ohio as a National Outlier

The legislation makes Ohio an extreme outlier nationally. Only two states – Hawaii and Rhode Island – permanently take unclaimed funds after a decade, but they only seize small amounts: Hawaii takes property worth less than \$100, while Rhode Island limits itself to accounts with balances under \$50. Arizona and Indiana impose time limits on claims after at least 25 years, but they don't actually take legal ownership of the unclaimed funds, so people can still seek payment.

Opposition and Constitutional Concerns

The law has drawn sharp criticism from national experts and industry professionals. Shaun Snyder, CEO of the National Association of State Treasurers, wrote in a letter to lawmakers that “no objective review of the proposal can result in any conclusion other than that the state would be seizing title to property that belongs to individuals”. Snyder described the plan as “constitutionally questionable... represents bad public policy and is contrary to how the vast majority of states manage unclaimed property”.

Democratic lawmakers have also voiced strong opposition. Rep. Sean Patrick described the law as an unconstitutional cash-grab, saying “We’re cheating people out of the money that was escheated by the state of Ohio”.

Legal and Constitutional Challenges

Despite signing the bill, even Governor DeWine acknowledged the legal uncertainties. During a gathering with reporters, DeWine said “I’m sure that will be tested in court” if the legislature proceeds with taking state ownership of long-sitting unclaimed funds.

Governor DeWine was correct in his prediction. Indeed, on July 7, 2025, three Ohio citizens filed a class action lawsuit against state officials, challenging the constitutionality of the state’s plan. In *Bleick v. Maxfield*, Case No. 25-CV-005715, the plaintiffs allege that taking money from unclaimed funds for a stadium violates the state’s role as a custodian and runs afoul of both the Ohio and U.S. Constitutions, including:

1. Takings Clause Violations - Alleging seizure of private property without just compensation violates the Fifth and Fourteenth Amendments.
2. Due Process Violations - Claiming the state provided no direct notice or opportunity for property owners to object.
3. Ohio Constitution Article I, Section 19 - Arguing the taking violates Ohio’s property protection clause stating, “Private property shall ever be held inviolate.”
4. Single Subject Rule Violation - Claiming the unclaimed funds provision was improperly inserted into the budget bill.
5. Legislative Overreach - Arguing the legislature exceeded its constitutional authority.
6. Breach of Fiduciary Duty - Claims the state violated its duty under Ohio Revised Code Chapter 169 to preserve funds for rightful owners.

The lawsuit seeks an injunction prevent the state from using the unclaimed funds and requests that the state be required to notify every person who has money at risk.

Conclusion

As Ohio becomes the first state to permanently seize billions in residents’ unclaimed property for sports stadium funding, the controversy surrounding HB 96 represents a fundamental shift in how states handle property rights and public funding priorities. The courts will ultimately determine whether this unprecedented approach survives constitutional challenge.

NAUPA III Format Update

It's time to provide an update on the much-anticipated NAUPA III file format changes. Following extensive industry review and feedback, the National Association of Unclaimed Property Administrators (NAUPA) officially approved the new electronic report format on July 1, 2025. This change represents a much-needed update effort to modernize the existing NAUPA II format that was approved in 2004, which replaced the original NAUPA format that had been used since 1990.

What is new?

The most substantial changes involve both the comprehensive adjustment of NAUPA codes and the transition from fixed width to XML format. The NAUPA code changes include removal of certain codes, merging of others, and reassignment to codes that have now been eliminated. The shift to XML format represents a significant technical modernization that will require updates to existing systems. Additionally, the structure of names for property owners no longer requires those data points to be parsed, while the requirement to submit parsed address information remains unchanged.

Implementation Timeline

Jurisdictions are expected to begin accepting NAUPA III submissions in Fall 2026 at the earliest, running alongside the existing NAUPA II format during a transition period. This represents a significant extension from initial projections which originally speculated acceptance could begin as early as Fall 2023. Organizations can check accepted formats for their specific jurisdiction at unclaimed.org/state-reporting.

Support and Resources

To ease the transition, NAUPA will provide XML Schema Definition (XSD) files for creating and validating XML submissions before filing. The organization has also promised training sessions and additional resources to help holders adapt to the new requirements.

At SOVOS, we continue to develop our capabilities to accommodate conversions and generate both NAUPA II and NAUPA III formats. Our team is actively reviewing the approved specifications and will participate in upcoming NAUPA training sessions to ensure seamless integration for our clients. We remain committed to providing flexibility in our Unclaimed Property applications to support the varying adoption rates across states. Our team will continue to provide updates on the topic and provide updates via webinars as the deadlines approach.



Delaware Issues New Guidelines for Reporting “Illicit Property” Under Unclaimed Property Laws



Delaware has published administrative guidelines addressing how holders should handle unclaimed property when they reasonably believe the owner used a false identity or engaged in fraudulent or illegal activity. These “Illicit Property” guidelines, published in June 2025, establish specific procedures and requirements for reporting such property.

Key Requirements

When the Policy Applies: The policy applies when holders have a reasonable belief (not mere suspicion) that an owner provided false information and that fraud or illegal activity occurred. This doesn’t include situations where owner information is simply inaccurate, outdated, or missing.

Law Enforcement First: Before reporting to Delaware, holders must contact appropriate law enforcement agencies if fraud is suspected and attempt to turn over the property to them, or try returning it to its original source.

Reporting Jurisdiction Rules: The guidelines emphasize adherence to established priority rules from Texas v. New Jersey. Property should be reported to the state of the owner’s last known address as shown in the holder’s records, even if that address is questionable. Only when no valid address exists or the address state lacks unclaimed property laws should property be reported to the holder’s state of incorporation.

Critical Prohibitions

Delaware explicitly prohibits holders from:

- Altering or deleting owner information to manipulate reporting jurisdiction
- Transferring property between entities to trigger Delaware reporting
- Commingling illicit property with regular unclaimed property reports

Special Reporting Procedures

Illicit property requires separate reporting through a specialized “Report of Illicit Property” with detailed written disclosure to Delaware’s Office of Unclaimed Property, including:

- Holder identification information
- Basis for believing false identity/fraud occurred
- Aggregate amount being reported

The State Escheator reserves the right to reject such reports within 90 days. Notably, Delaware will not post illicit property on its public unclaimed property search website and will apply special procedures if anyone attempts to claim such property.

Compliance Implications

Non-compliance may result in loss of “good faith” reporting status and potential liability without state indemnification. Holders attempting to recover previously reported illicit property face heightened scrutiny and possible enforcement action.

The guidelines stress that holders should seek their own legal counsel for questions, as Delaware will not provide additional guidance or legal advice regarding this policy.

Compliance Challenges

Banking organizations are heavily regulated and subject to laws outside of unclaimed property which may permit removal of registration of an account deemed fraudulent. As such, banks incorporated in Delaware may be faced with pushback from Delaware when escheating accounts without names and addresses and identified as fraudulent. Sovos will monitor this issue on an ongoing basis.





Michigan Appellate Court Strengthens State's Unclaimed Property Collection Powers

Freda Pepper, General Counsel, Unclaimed Property

The Michigan Court of Appeals has issued a significant ruling that effectively extends the state's ability to collect unclaimed property far beyond traditional statute of limitations periods. In consolidated cases involving The Walt Disney Company and Dine Brands Global, Inc. v. Michigan Treasurer Rachael Eubanks, the court held that audit determinations create new, enforceable obligations separate from original reporting requirements.

Background

In these cases, multi-year audits that began in 2013 and concluded in 2021 identified approximately \$533,000 in unclaimed property from Disney and \$258,000 from Dine Brands, based on records dating back to 2002. Both companies had argued these claims were time-barred, but the court's ruling means the Treasurer can now pursue enforcement.

Procedural Journey

This decision, issued on August 18, 2025, marks the third time the Court of Appeals has wrestled with these consolidated cases, following an unusual procedural path through Michigan's judicial system.

After receiving unfavorable audit determinations in 2021, Disney and Dine Brands took an aggressive approach—rather than challenging the determinations administratively or waiting for enforcement, they filed preemptive lawsuits seeking declaratory and injunctive relief to bar the Treasurer from any future enforcement actions. The Circuit Court sided with the companies, granting summary disposition and enjoining the Treasurer from pursuing the claims as time barred.

The Treasurer appealed, but the Court of Appeals affirmed the trial court in early 2023, holding that examinations were not "actions or proceedings" that could extend the statute of limitations.

The Michigan Supreme Court then took the unusual step of accepting the case but first sending the case back to the Court of Appeals with specific instructions to analyze the case under the assumption that an examination is a “proceeding” and to determine whether that would toll the statute of limitations.

On the first remand in January 2024, the Court of Appeals reversed course, finding that if examinations were proceedings, the Treasurer could proceed. However, this didn't satisfy the Supreme Court. In 2025, the Supreme Court issued a detailed opinion establishing that examinations are indeed “proceedings” but do not toll the statute of limitations. Crucially, it remanded to the Court of Appeals one final question: whether the Notice of Examination Determination creates a distinct legal duty separate from annual reporting obligations.

The Core Holding

On August 18, 2025, the Court of Appeals ruled that when the State Treasurer issues a Notice of Examination Determination following an unclaimed property audit, it creates a “distinct legal duty” for companies to deliver the identified property. Critically, this new duty carries its own statute of limitations period that begins when the notice is issued—not when the original reporting obligation arose. The court reasoned that this statutory language, particularly the mandatory nature of “deliverable,” as used in the law, establishes a separate duty distinct from annual reporting requirements.

This means the Treasurer can now effectively pursue unclaimed property claims dating back decades, as long as an audit was initiated within the original limitations period.

Practical Impact: A Nearly Limitless Collection Window

The decision creates what amounts to a two-step process that dramatically expands the state's collection timeline:

1. The Treasurer has 10 years (or 5 years for certain entities) from when a company's initial reporting duty arose to commence an audit
2. Once an audit begins, it can proceed indefinitely. When the Treasurer finally issues a determination—even decades after the original obligation—a fresh limitations period begins

This outcome seemingly renders the statute of limitations meaningless and achieves the same result as if audits tolled the limitations period—something the Michigan Supreme Court had previously declined to establish.

However, the Court of Appeals carefully distinguished between the right to file an enforcement action and the right to prevail in such an action and then explicitly limited its holding to the procedural question of whether the Treasurer could file an enforcement action. In footnote 11, the court emphasized that it was not addressing:

- The substantive merits of any enforcement action
- How far back a Notice of Examination Determination can validly reach
- Whether the Treasurer would ultimately be entitled to collect the claimed amounts
- What defenses might be available in an enforcement proceeding

The Supreme Court's specific remand instructions narrowly confines the Court of Appeals to deciding only whether a distinct duty exists, preventing broader analysis of the practical implications.

What's Next

The companies have until September 29, 2025, to appeal to the Michigan Supreme Court. Alternatively, they could await potential enforcement actions from the Treasurer and challenge the merits of the decades-old claims at that time.

Conclusion

This decision highlights the expanding reach of state unclaimed property enforcement and the importance of proactive compliance strategies. Companies facing Michigan unclaimed property audits should carefully evaluate their options, as the traditional statute of limitations may provide less protection than previously assumed.



UPDATE

Your trusted resource in **unclaimed property**

**Learn more about common issues organizations face with
unclaimed property reporting.**

Reach out to our team of experts.

SOVOS

Contact Us: <https://sovos.com/contact-us/>
taxregulatoryreporting@sovos.com

© 2025 Sovos Compliance, LLC.
SOVOS is a registered trademark of Sovos Compliance, LLC