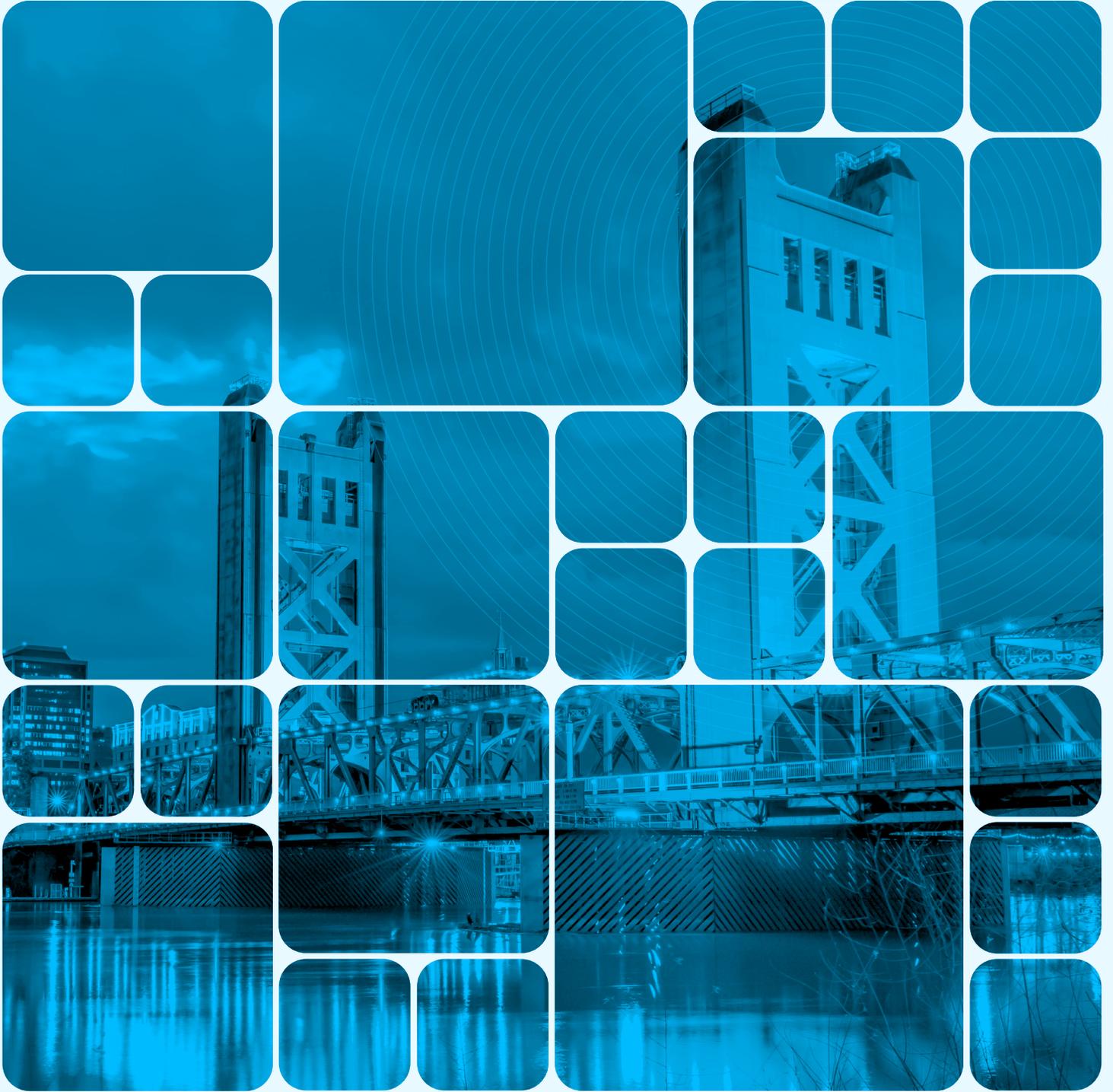


# SOVOS



# UPDATE

Your trusted resource in unclaimed property

Winter | 2026 Newsletter



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Contact Us: <https://sovos.com/contact-us/>  
[taxregulatoryreporting@sovos.com](mailto:taxregulatoryreporting@sovos.com)

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# The Evolution of Unclaimed Property: From Feudal Roots to Modern Regulatory Regimes

Christa DeOliveira, CIA, CCEP, Chief Compliance Officer, Linking Assets Inc  
Ann Fulmer, CPA, CFE, National Director Sovos Unclaimed Property Consulting

Unclaimed property may seem like a modern compliance concern, but its origins stretch back centuries. What began as a simple rule of feudal reversion has become one of the most complex and aggressively enforced areas of state regulation. Today's unclaimed property landscape affects nearly every industry, every business size, and an ever-expanding set of asset types—from bank accounts and securities to digital wallets and cryptocurrency.

## From Feudal England to the United States: The Early Foundations

The concept of unclaimed property originated in feudal England, where escheatment referred to the reversion of land to a lord when a tenant died without heirs. As English common law crossed the Atlantic, early American escheat laws applied mainly to real property. By the 1950s, states recognized both the consumer-protection value and revenue potential of unclaimed property, expanding oversight of abandoned intangible assets.

Additionally, the common law practice of bona vacantia also helped to shape modern day unclaimed property laws. Bona vacantia, which literally translates from Latin to “vacant goods” or “ownerless goods,” occurred when the crown claimed physical property that was ownerless through Royal Prerogative. Escheat is based on the underlying assumption that the lord or the crown is the assignee of the last tenant and ownership rights of the property were terminated. In contrast, the rationale for bona vacantia is based on the lack of any other identifiable owner and the presumption that the crown assuming ownership was more equitable than a stranger taking possession until the rightful owner or heir comes forward; thereby, eliminating possible conflicting claims of other parties for the property.

**The following noteworthy characteristics of the unclaimed property laws are found in the 1954 version of the Model Act and its subsequent iterations in 1966, 1981, 1995, and 2016:**

- **Custodial treatment of property-** Current unclaimed property laws more closely follow the concept of bona vacantia where the title of the property does not transfer to the state, rather than pure escheat where an owner's rights are terminated. Currently most states' unclaimed property statutes are custodial in nature, except for Arizona, Hawaii and Ohio, and property is held in perpetuity until the rightful owner comes forward and asserts a claim.
- **Comprehensive scope-** Current unclaimed property laws encompass many property types. Both historical escheat and bona vacantia laws were narrow in scope, while modern day unclaimed property laws are comprehensive and cover broad categories of intangible property and limited categories of tangible property. Before the push for uniformity began in 1954, very few states had comprehensive unclaimed property laws.
- **Consumer protection-based-** Current laws are aimed at protecting owners and aiding with the reunification of owners with their property based on two presumptions: (1) the state is in a better position to return property to owners and (2) the state should receive any windfall when property cannot be returned to the owner or lawful heirs.
- **Revenue measure for states-** Many states transfer unclaimed cash and liquidated property to their general operating funds where it is used for the benefit of their citizens. The state acts as a custodian, keeping the property on behalf of the missing, absent or unknown owners, until such time as the rightful owner comes forward to claim the property.

## The Modern Era: How Unclaimed Property Arises Today

Today's unclaimed property environment is dramatically broader. Asset types now include bank accounts, securities, rebates, insurance proceeds, payroll, gift cards, and increasingly, cryptocurrency. While uniform unclaimed property acts have been created and updated in an attempt to harmonize state laws, adoption varies, resulting in a patchwork of dormancy periods, reporting deadlines, and compliance rules. Technology has enabled electronic reporting, along with automated identification of potential non-compliance.

## How Enforcement Has Intensified

State enforcement of unclaimed property laws has evolved into a sophisticated, multi-pronged framework. States increasingly deploy data analytics, coordinated audit strategies, and administrative mandates to maximize compliance and revenue. These tactics include aggressive use of third-party auditors, cross-agency data matching, broader information requests, and targeted sector sweeps. Companies must be prepared for an environment in which states expect proactive compliance and audit-ready documentation.

## What Companies Can Do to Prepare

### Early Identification of Potentially Escheatable Accounts

Most companies track outstanding disbursements and credit balances and can easily identify those that have aged longer than most. By identifying and researching those that remain outstanding for greater than 180 days or a year, companies have an opportunity to determine if the balance remains due to the payee, update their records to reflect those that were satisfied, and contact those for whom the balance is still owed. Conducting proactive outreach at this time has a significant impact on the amount of property that could be due to the states.

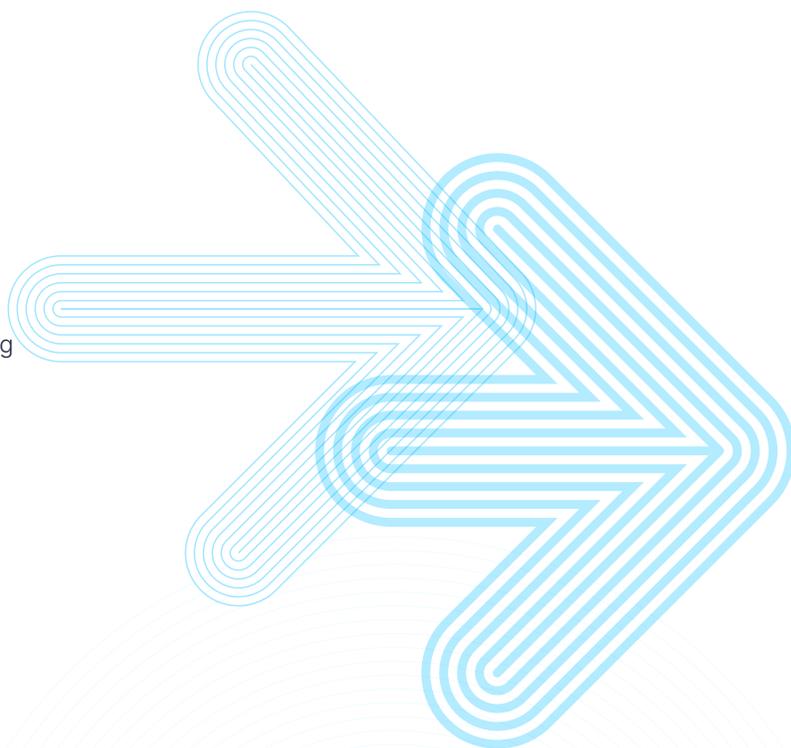
### Reengage and Reconnect Instead

Reengaging with owners through search and location to obtain current address information rather than simply reporting and remitting unclaimed property to states benefits both the owner and the business holding the property by saving costs, reducing fraud risks, improving customer relations and providing audit mitigation.

- **Save costs:** Mailing to inaccurate addresses generates returned mail. The associated time and costs to process it is unnecessary. Search and location to obtain current address results in the need for fewer

resources to complete the compliance steps associated with reporting, remitting, and transferring unclaimed property to states. It also reduces the administrative costs related to tracking, processing, and mailing mandatory due diligence notices to owners with inaccurate addresses.

- **Reduce Fraud Risk:** There can be an increased risk of fraud when mail is delivered to incorrect addresses. Search and location to obtain current address minimizes that risk.
- **Improve Customer Relations:** Having accurate addresses enables more mail to get through; allowing holders of unclaimed property including banks, credit unions, financial institutions, and other companies, to reconnect with and reactivate their customers, members, accountholders, vendors, securityholders, insureds, etc. This, in turn, increases customer retention and loyalty. Returning funds before they are presumed unclaimed is a meaningful way to reactivate a customer and build trust, demonstrating ethical practices and a commitment to customer care.
- **Audit Mitigation:** Proactive outreach reduces the amount of property that must be reported to the state, which in turn lowers your audit risk. States often use high volumes of unclaimed property as a "red flag" to initiate lengthy and expensive audits.



## How to Reengage

The baseline requirements for owner outreach are the statutory requirements, often referred to as due diligence. These laws require companies to communicate with the owner via first class mail, email, and/or certified mail. The timing of the required outreach is generally between 60 and 120 days before the property is reported to the states. While these efforts yield results, depending on the property types and the owner demographics, reaching out early and often before state mandated due diligence helps maintain contact with the owner and keep property active. Further, by reaching out through marketing campaigns, customer service letters/calls, or account statements, companies will not be bound by the statutory requirements like phrasing, content, or font size.. Proactive outreach increases the likelihood of connecting with owners.

Organizations can take advantage of online search tools and subscription databases enhance reengagement efforts. Enlisting outside services is a great option if there are no internal resources on hand to conduct enhanced outreach or the volume of accounts/property is too high to take on internally. Outsourcing this work could be a lifeline. Whether reengagement is an ongoing effort, a records cleanup, or reduces audit findings for businesses holding dormant property, there can be clear benefits for companies to go beyond the minimum requirements.

## Additional Steps

Organizations can further mitigate risk by adopting formal unclaimed property governance frameworks. Best practices include maintaining written policies and procedures, implementing robust record retention schedules, performing annual self-reviews, and leveraging diagnostic tools to detect exposure early. Companies should also map their legal entities and reporting history, monitor legislative changes, and centralize escheat responsibilities to ensure consistency across business units.



## Conclusion

Unclaimed property has evolved from a simple feudal land rule into a sophisticated regulatory system. Organizations must proactively manage client relationships, maintain strong policies and procedures, and prepare for audits to mitigate risk in this complex environment. Linking Assets Inc. and Sovos are here to help organizations come into and maintain unclaimed property compliance, while positioning companies to reduce their overall unclaimed property exposure and improve relationships with clients, customers and vendors.

# Electronic Due Diligence: A Growing Compliance Requirement

Freda Pepper, General Counsel, Unclaimed Property

The Revised Uniform Unclaimed Property Act of 2016 (RUUPA) introduced a new concept to unclaimed property compliance: electronic due diligence. Born from the widespread adoption of email, online banking, digital brokerage accounts, and e-commerce, this provision acknowledges that many apparent owners now routinely receive—and expect—electronic communications from the businesses they patronize.

Under the RUUPA framework, if an apparent owner has consented to receive electronic mail delivery from the holder, the holder must send the due diligence notice both by first-class United States mail to the apparent owner's last-known mailing address and by electronic mail, unless the holder believes the apparent owner's email address is invalid.

States that have adopted RUUPA have done so in an inconsistent way. That is, while they may have adopted the general framework, many states have chosen to alter the language of the law. As it pertains to electronic due diligence, some states have adopted the language as written, but others have made electronic due diligence optional. For compliance purposes, it's important to understand which states now require due diligence by email.

Further, the property types to which the email due diligence obligation attaches vary by state. Most states apply the requirement to all property types. However, several limit the obligation to just a few. For example, in Oregon the requirement only applies to security property and virtual currency. In California, the requirement applies to all property types except virtual currency. Indeed, the application is inconsistent across the states.

Keep in mind that electronic due diligence notice is one type of due diligence. As a result, email due diligence must include all the same elements and satisfy all the same statutory and regulatory requirements as a notice sent by first-class mail. Holders should ensure their electronic notices contain complete and compliant content.



Given the varying requirements across jurisdictions, compliance teams may find it simpler to adopt a uniform approach of sending both first-class mail and email notices where consent exists, thereby satisfying requirements in all applicable states.

To comply with electronic due diligence requirements, Holders should review their records and systems to identify apparent owners who have consented to electronic communications. Further, as more states refine their unclaimed property statutes, electronic due diligence requirements will likely continue to evolve, ongoing monitoring is essential.

# California's Voluntary Compliance Program: A Two-Year Perspective

Laurie Andrews, Director



## Introduction

As California's Voluntary Compliance Program (VCP) reaches its two-year milestone, it's an opportune time to reflect on the program's evolution, the experience of working with California's unclaimed property administration, and key lessons learned by holders, consultants, and the state alike.

## The California VCP: A Collaborative Approach

California strives to take a genuine partnership approach and its VCP continues to stand out for its holder-friendly structure and the collaborative approach of the California State Controller's Office staff. The program has attracted participation from holders of all sizes, with voluntary disclosure reports ranging from as modest as \$25 to well over \$10 million. This wide spectrum demonstrates the program's accessibility and appeal across different industries and company sizes.

## Eligibility Requirements

While California's VCP is broadly accessible, certain circumstances will disqualify a holder from participation.

**Specifically, holders are not eligible for the VCP if they:**

- Current/Impending Examinations: Subject to an active audit or have received notice of one for unclaimed property.
- Legal Action: Involved in any civil or criminal prosecution related to California's Unclaimed Property Law.
- Unpaid Interest: Have outstanding interest assessments from the last five years.
- Past VCP Waivers: Received a VCP interest waiver in the last five years (with a merger/acquisition exception).

The key takeaway: the VCP is designed for holders who come forward proactively, before enforcement action begins. Once California has initiated formal examination, the opportunity for voluntary disclosure has passed.

## California's Program

California's VCP has several features that distinguishes it from other voluntary unclaimed property compliance programs::

- Lookback Period and Interest Relief: California provides meaningful incentives for voluntary participation, including reduced lookback periods, no estimations, and interest relief provisions that make compliance more manageable for holders who come forward proactively.
- Flexibility and Pragmatism: The California staff has demonstrated willingness to work with holders on reasonable approaches to complex compliance issues, recognizing that one-size-fits-all solutions don't always work in the unclaimed property context.
- Communication and Transparency: From the outset, California has prioritized clear communication about expectations, timelines, and requirements—reducing uncertainty that could accompany voluntary disclosure processes.

## Recent Outreach Efforts

California has recently launched a significant outreach and education initiative, sending informational letters to millions of potential holders. These communications are designed to raise awareness about unclaimed property obligations and encourage proactive compliance through the VCP.

It's important to note that these letters are educational in nature—not enforcement actions. They represent California's commitment to compliance through education. Holders who receive these letters should view them as an invitation to assess their unclaimed property program and consider whether VCP participation makes sense for their organization.

This outreach campaign will continue for the foreseeable future as California works to reach the vast universe of potential holders in the state.

## Practical Recommendations

For holders considering their unclaimed property compliance strategy:

- **Don't Wait for an Audit:** Voluntary disclosure programs like California's VCP offer significantly better outcomes than being selected for examination.
- **Think Comprehensively:** If you're conducting a books and records review for California or any single state, expand your scope to address all jurisdictions where you may have potential exposure.
- **Engage Early:** The outreach letters are an opportunity to be proactive. Waiting to respond only increases risk.
- **Perform a Comprehensive Review:** A comprehensive books and records review not only supports the California VCP filing but also positions companies for multi-state compliance efforts. If you're going to invest in a detailed review for one state, the incremental effort to address other states simultaneously is often minimal—and the risk mitigation value is substantial.

## Looking Forward

As California's VCP continues to mature, it remains a holder-friendly voluntary compliance option. The combination of meaningful interest relief, reasonable lookback periods, and a collaborative state administration makes it an attractive path to compliance.

For organizations that have been putting off unclaimed property compliance—or those who received California's recent outreach letter—now is the time to act. The program's track record demonstrates that California is committed to facilitating compliance rather than simply pursuing enforcement.



**For more information about California's VCP or to discuss whether voluntary disclosure is right for your organization, contact Sovos' unclaimed property consulting team.**



# Unlock Hidden Value: Sovos Introduces Corporate Asset Recovery Services

Strategic partnerships with Financial Recovery Strategies (FRS) and AssetFynd help organizations recover unclaimed assets to fund critical unclaimed property compliance and operational initiatives

Brian McCarthy, Senior Consulting Manager  
Paola Narez, Senior Consulting Manager

## Discover Hidden Opportunities

Billions in unclaimed property sit within governments while organizations struggle to fund compliance initiatives. In today's complex business environment, organizations are under constant pressure to optimize operations and stretch budgets. What many companies overlook is a hidden source of funding: corporate-owned unclaimed property.

Sovos is proud to announce strategic partnerships with two industry leaders - FRS UP and AssetFynd, to deliver comprehensive corporate asset recovery services. Recovered assets can fund critical initiatives that often face budget constraints:

- Close compliance gaps with risk assessments and voluntary disclosure agreements in high-exposure states
- Strengthen audit defenses through expert assistance and documentation review
- Reduce exposure by implementing managed services to handle your unclaimed property analysis and reporting
- Access specialized expertise via consulting services without impacting operational budgets
- Time Savings – efficiently working with the same team for compliance and recoveries allows for efficient business practices and time savings, allowing internal teams to focus on other revenue generating projects.

## What is Corporate Asset Recovery?

States hold billions in unclaimed property, and organizations often don't realize these funds can be recovered. Corporate asset recovery is the process of identifying and reclaiming unclaimed property that rightfully belongs to your organization. Common examples include:

- Uncashed vendor checks
- Dormant bank accounts
- Unused credit balances and overpayments
- Insurance proceeds
- Security deposits
- Customer refunds

Many companies are unaware that these assets exist or lack the internal resources to navigate the complex recovery process and administrative requirements across multiple state jurisdictions. That's where specialized recovery partners come in, managing searches, documentation, and compliance requirements seamlessly.

## Why This Matters Now

As businesses strive to do more with less, corporate asset recovery offers a practical, low-risk solution. Funds recovered through these services can be strategically deployed to:

- Finance unclaimed property compliance initiatives without straining budgets
- Fund digital transformation projects that drive efficiency
- Support consulting engagements that address critical regulatory challenges
- Invest in managed services that reduce internal workload

“The beauty of corporate asset recovery is that it’s essentially found money,” explains Paola Narez, a Senior Consulting Manager at Sovos. “Companies can use these recovered assets to fund projects that might otherwise be delayed or eliminated due to budget constraints.”

## Two Trusted Partners, Tailored Solutions

Through our partnerships with FRS and AssetFynd, Sovos offers flexible options for asset recovery services, each bringing unique expertise and approaches.



*“FRS UP is a trusted partner in corporate unclaimed property recovery, combining deep industry expertise, proprietary research and technology, and a hands-on approach. With experienced in-house legal and quality assurance teams, FRS UP manages both escheated and non-escheated assets through the full recovery lifecycle. With a focus on ensuring statutory compliance and adherence to best-practice processes, FRS UP maximizes the results of obtaining funds on behalf of clients while, most importantly, minimizing clients’ internal resource demands.”*

**Harris Love - FRS Chief Relationship Officer**



*“AssetFynd is transforming global corporate financial asset recovery by replacing slow, manual searches with a powerful AI-driven platform. Our system continuously and proactively identifies lost financial assets, instantly matching them to their rightful owners across more than 200 countries. With real-time, 24/7 access to over 300 million records from 400+ sources, clients receive immediate results and ongoing alerts, eliminating repeated effort, wasted time, and antiquated processes. By leveraging AI, AssetFynd empowers corporate leaders to reclaim overlooked assets effortlessly, unlocking value and confidence for organizations worldwide.”*

**Darren Jack - AssetFynd Founder and CEO**

## How it Works

The process is designed to be seamless and non-disruptive to your operations:

- 1. Initial Assessment:** preliminary analysis to identify potential unclaimed assets
- 2. Discovery Phase:** comprehensive search across state unclaimed property databases and other relevant sources
- 3. Recovery Process:** Expert handling of all documentation, claim filing, advocacy and compliance
- 4. Fund Deployment:** Direct recovered assets toward priority business initiatives.

There's no upfront cost - recovery partners work on a contingency basis, meaning you only pay when assets are successfully recovered.

## How it Works

Rather than viewing corporate asset recovery as a one-time windfall, forward-thinking organizations are incorporating it into their financial strategy. By partnering with Sovos, FRS, and AssetFynd, companies can:

- Identify recurring recovery opportunities across their operations
- Integrate asset recovery into annual planning cycles
- Create dedicated and sustainable funding sources for compliance improvements that could reduce future liability

This transforms asset recovery from a one-time event into a proactive financial and risk management strategy.

## Ready to Unlock Hidden Value?

Your organization may have unclaimed assets waiting to be recovered – funds that could finance the compliance initiative or consulting services you've been postponing due to budget constraints. If you're interested in exploring whether your organization has unclaimed assets that could fund critical business initiatives, the Sovos team is ready to help. We'll guide you through the process and introduce you to our trusted partners.

In an era where every dollar counts, corporate asset recovery represents an opportunity to turn overlooked resources into strategic advantages. Don't leave money on the table – discover what's yours.



### About FRS (Financial Recovery Strategies):

Financial Recovery Strategies (FRS) is a leading asset recovery firm specializing in class action settlement claims management and corporate unclaimed property recovery. Founded in 2008, FRS has recovered over \$400 million on behalf of approximately 44,000 clients, including many Fortune 500 companies. FRS UP, the company's unclaimed property division, was established to extend FRS's claims management expertise to help corporations identify and recover funds held by state, federal, provincial, and foreign agencies. With a team of legal professionals and proprietary search systems, FRS UP has achieved over \$35 million in recoveries, with \$27.4 million currently pending for clients. The firm operates on a contingency fee basis with no upfront costs, providing comprehensive claims management services while minimizing client administrative burden.



### About AssetFynd:

AssetFynd is a technology-driven global leader in corporate asset recovery, specializing in the use of artificial intelligence and machine learning to locate and recover unclaimed assets for companies worldwide. As an AI-powered platform, AssetFynd leverages advanced technologies to streamline the asset recovery process, delivering rapid and secure results with precision and efficiency. The company focuses on helping corporations identify and reclaim unclaimed financial assets across multiple jurisdictions, providing a modern, technology-first approach to what has traditionally been a manual and time-consuming process.

# 1099-DA State Reporting: When Federal Rules Don't Align With State Requirements

Wendy Walker, Tax withholding & information reporting subject matter expert

Much like unclaimed property, digital asset reporting through the 1099-DA is a state-level compliance crisis - and most businesses aren't ready.

State tax reporting has never been simple. Requirements vary by jurisdiction. Filing formats differ widely. Due dates, thresholds, and enforcement models are inconsistent. And unlike federal reporting, there is no single system or framework that governs how states receive and process information returns.

In practice, most businesses fall into one of three categories when it comes to state information reporting:

- They do not file state information returns at all
- They believe they are compliant because they participate in the IRS Combined Federal/State Filing (CF/SF) program
- They file directly with states, either through manual processes and/or with the help of a compliance provider

There is no uniform, end-to-end state reporting framework. Compliance is disjointed and often misunderstood - even by well-resourced organizations. That fragmentation becomes especially problematic in 2025.

For the first time, Form 1099-DA (Digital Asset Proceeds) enters the state reporting landscape - and it does so at a moment when federal and state systems are moving in opposite directions.

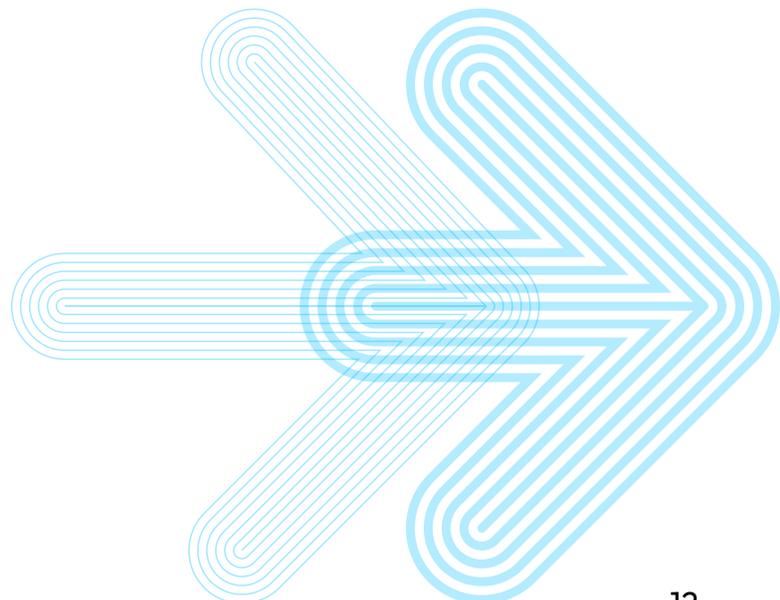
## The Federal-State Disconnect Starts With IRIS

At the federal level, the IRS made a clear architectural decision:

- Form 1099-DA is built only on the new Information Returns Intake System (IRIS)
- There is no Filing Information Returns Electronically (FIRE) file equivalent
- The IRS is not including Form 1099-DA in the CF/SF program

That last point is critical. For decades, many filers have relied - sometimes unknowingly - on CF/SF to satisfy some of their state reporting obligations. That option does not exist for 1099-DA for 2025. If a state requires digital asset proceeds to be reported, that obligation must be met through direct state filing.

The following illustrates the challenge: as of December 2025, only 11 states have explicitly said 1099-DA is not required, while 17 states require filing in certain circumstances, and another 17 remain silent, including California and New York. That silence creates the greatest compliance risk.





## States Are Caught in an IRS-Driven Transition

State filing portals support a wide range of functions— income tax returns, payments, sales tax, withholding, and other core revenue programs. Compared to those priorities, information reporting and withholding (IRW) is often secondary in state technology planning.

The way states have handled IRW has historically followed the IRS's lead. When the IRS required legacy FIRE formats, states aligned their intake systems accordingly. That dependency is now exposed.

Form 1099-DA exists only on IRIS, and the IRS is moving away from FIRE ahead of most state timelines. While some states have modernized their portals to adapt more quickly to IRIS-based data, others have not prioritized IRW modernization to the same degree. For those states, adapting to IRIS will require changes from internal IT teams or third-party software vendors - changes that many are not planning to implement until the IRS formally sunsets FIRE (currently expected in 2026).

The result is a multi-year transition period. During that period, filers should expect format variations across - and

even within - states. Some states will accept IRIS-based XML for certain form types, legacy FIRE formats for others, or a combination of both, depending on the form, filing channel, or reporting year.

In parallel, filers should expect a mix of modern state portals that can accept newer formats, legacy file uploads built around FIRE specifications, and in some cases, continued paper or optical media requirements.

This dual-format environment is not a reflection of state capability. It reflects competing priorities, sequencing, and the practical reality of phased migrations. For 2025, that reality directly impacts how - and where - Form 1099-DA must be reported at the state level.

## Why Combined Federal/State Filing Is Not - and Will Not Be - a Safe Harbor

For tax year 2025, the issue is straightforward: Form 1099-DA is not included in the IRS CF/SF program.

There is no ability to satisfy state reporting obligations by filing federally. Any state requirement that applies must be met through direct filing with the state, using whatever format that state requires

Where confusion tends to arise is when filers look ahead. At some point in the future - potentially beginning with tax year 2026 - the IRS may add Form 1099-DA to the CF/SF program. When that happens, many organizations will be tempted to assume that federal filing once again satisfies state obligations. That assumption would be a mistake.

Historically, CF/SF participation lists published by the IRS have been misinterpreted. These lists identify states that have agreed to receive IRW data through the CF/SF program - not states where federal filing satisfies compliance obligations. The IRS explicitly warns in these publications that filers must confirm requirements directly with each state. Form 1099-DA will be no different.

When CF/SF eventually becomes available for 1099-DA, it should be viewed as one possible transmission path, not a compliance determination. State-specific rules will continue to control whether:

- A state requires direct filing
- A particular form type is accepted
- A specific format satisfies the state's requirements

CF/SF has never been a universal solution. For digital asset reporting, it will not become one simply because the IRS adds the form to the program in the future.

## Silence Does Not Mean Exemption

Another challenge emerging in 2025 is the assumption that if a state has not explicitly mentioned "Form 1099-DA," no reporting obligation exists.

That assumption is risky.

Many states define reportable information broadly - covering payments, proceeds, or gross income - without tying the requirement to a specific federal form number. Some states have existing laws that require 'all 1099s filed with the IRS to be filed with the state,' while others have laws requiring all nonwage income to be reported. Where digital asset proceeds fall within these existing definitions,

the reporting obligation may already exist under current state law, even if guidance specific to Form 1099-DA is lagging or incomplete. The silence on 1099-DA doesn't mean the reporting requirement doesn't exist.

Historically, states often enforce first and clarify later. Waiting for perfect clarity is rarely a safe compliance strategy.

## State Enforcement Is Real—and Penalties Are Significant

States actively enforce tax information reporting requirements.

Businesses that miss state filings often begin receiving notices shortly after filing season - sometimes before federal issues surface.

Penalties can be substantial. In California, for example, state penalties generally mirror federal penalties which, for returns filed in 2026, are currently \$340 per return with a maximum annual penalty exceeding \$4 million for large businesses.

For high-volume digital asset reporting, the exposure escalates quickly.

This is why the idea of "skipping 1099-DA this year and seeing what happens" is not a low-risk decision.

## The Risk Isn't Just Federal - It's State by State

A common misconception is that failing to report 1099-DA primarily creates federal exposure. That is incorrect.

Consider a crypto exchange with customers in 15 states. That business now faces 15 different filing requirements, 15 potential format variations, 15 independent enforcement agencies, and 15 separate penalty regimes - with zero guarantee that what works in one state will work in another.

The risk spans:

- Multiple states
- Multiple filing formats
- Independent enforcement agencies
- Separate penalty regimes

And because 1099-DA exists only on IRIS, there is no legacy workaround, no CF/SF backstop, and no easy way to retrofit existing state processes.

## The Bottom Line

Form 1099-DA is not simply a new form. It is entering a reporting ecosystem where:

- Federal systems have modernized
- State systems largely have not
- Combined federal/state filing is unavailable
- Guidance is inconsistent
- Enforcement remains aggressive

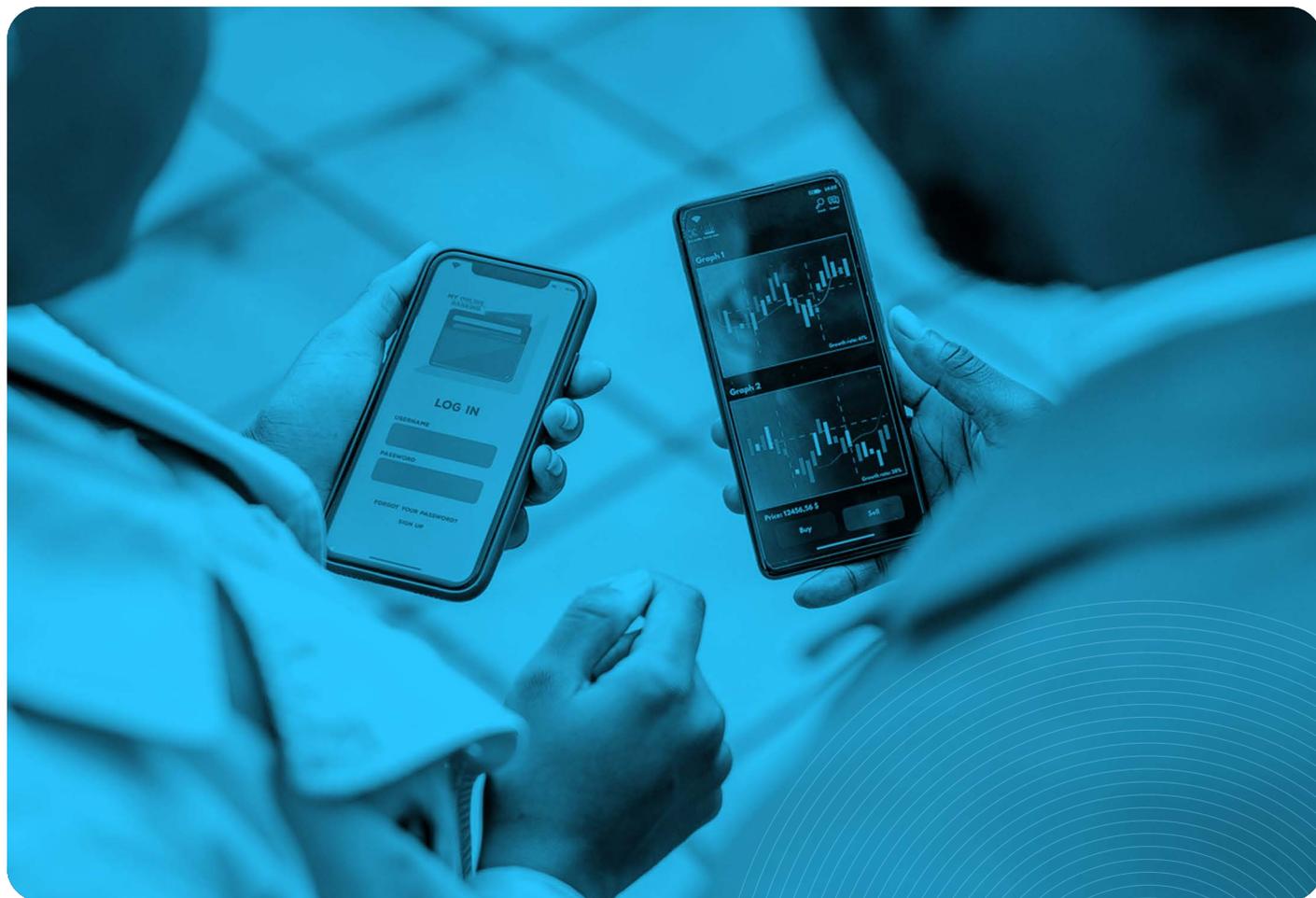
For tax and compliance leaders, 2025 is not a year to assume, delay, or hope for leniency.

Digital asset reporting is no longer theoretical - and neither is the state-level risk it creates.

If you are evaluating whether to report 1099-DA this year, remember:

Your exposure isn't just federal.

**It's state by state. And the maze just got more complex.**



# UP Newsletter Legislative Compilation

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## Legislative Update for the Period of 8/28/25-1/26/26

### AL H 104

INTRODUCED: 1/13/2026

Alabama House Bill 104 was introduced on January 13, 2026. This bill mostly addresses digital assets and new terms. It appears that Alabama is attempting to address unclaimed digital assets after a similar bill failed last year. The pre-filed bill proposes the following:

Definitions – Three new definitions are added.

- “Last known address” is defined as any address or location of an owner, that at least identifies the state but does not need to be sufficient for first class mailing.
- “Digital asset” is defined as any digital representation used as a medium of exchange or storage of value which is not fiat currency and is recorded in a cryptographically secured, distributed ledger, or any similar technology, regardless of whether each individual transaction is recorded in that ledger. The term does not include any software or protocols governing the transfer of digital representation of value, video game-related digital content, or loyalty or gift cards.
- A “Private Key” is defined as a unique piece of cryptographic data that is used for signing transactions on a cryptographically secured ledger and only known by the owner.

#### Digital Assets

- Digital Assets are presumed abandoned three years after the last activity by the owner. For digital assets, activity can mean accessing a password protected account, responding to holder outreach, or conducting a transaction such as a withdrawal or deposit. Automatic, recurring, or prescheduled transactions do not count as owner activity.
- Due diligence letters to owners of digital assets, securities, and safe deposit boxes must include a notice that the property may be liquidated if it is not claimed before being remitted to the state.

- If the holder has a private key, credential, or other information necessary to effectuate the transfer of the unclaimed digital assets holders must deliver the digital asset in its native form 30 days after filing their annual report. Within 30 days of the transfer, the holder must also provide a reconciliation of the delivery of the asset with respect to the report that was filed.
- If the holder does not have the information necessary to transfer the digital asset, they must maintain it until they acquire the needed information.
- The state may decline to accept the digital asset if they determine that it is not transferable, of nominal value, or worth less than the cost of maintenance and sale. The state may also decide which types of digital assets are exempt from reporting and liquidation.
- Digital assets that are listed on an established exchange must be sold at the prices given at the time of sale. Digital assets not on an established exchange can be sold by any reasonable method chosen by the State Treasurer.
- The state treasurer may direct holders to liquidate the digital assets, and if so, holders must liquidate the digital assets within 30 days after filing the report. Liquidation orders may be provided in the recording instructions for the year a report is due.

If enacted, the new law would be effective on June 1, 2026.

## AR Reg 10986

PROPOSED:: 1/13/2026

On July 30, 2025, Arkansas proposed new regulations to create the “Arkansas Unclaimed Property Administrative Rules.” The proposed rules are sweeping, supplementing Arkansas statutory law and addressing the mechanics of compliance. The notable provisions are as follows:

### Definitions

- Adopts all definitions from the current law and adds new definitions for “Descendants”, “Due diligence”, “Dying Intestate”, and “Positive Owner Contact”.

### Statutory Indemnification

- Statutory indemnification provided by the Arkansas statute is clarified to ensure that holders reporting in good faith are relieved of all liability including that arising out of any lawsuits brought against the holder.
- Should a holder be sued for the remittance of property under the Arkansas Unclaimed Property Act, notice by registered mail including a copy of the summons and any other pertinent information shall be sent to the Auditor of State at least twenty (20) days before the return date for filing an answer to the underlying suit.

### Due Diligence

- More than 90 days prior to reporting property, holders must exercise due diligence to locate the rightful owner. Those efforts should include, but are not limited to:
  - Reviewing the holder’s own records to determine whether the owner has another active account with the holder or a related entity.
  - Mailing a first class notice with the return address requested
  - Written correspondence through the most common channel used between the holder and owner
  - Contacting the owner via telephone. This is notable as it requires phone calls to be added to the due diligence process.
  - Holders must document the time, date and nature of the attempted communication and whether or not contact was made.
- If the owner is located, the holder shall notify the owner of the following:
  - The type of property being held;
  - The process for collecting the property from the

holder; and

- If the Owner fails to claim the property from the holder, the holder will report the property or account to the Auditor of State as unclaimed property.
- If a holder cannot locate the owner, they shall:
  - Verify that the owner is not a current employee of the holder,
  - Review telephone directories or databases,
  - Verify the owner is not a well-known individual or corporation with easily accessible contact information,
  - Verify there has been no positive owner contact related to the account or property as well as any other property or accounts belonging to the owner.
  - Verify there is no memo, correspondence or other record on file that indicates owner interest.
- Holders must maintain evidence of all due diligence efforts for 10 years after the property is remitted to the State.

### Reporting and Remitting Property

- Detailed instructions for reporting and remitting property are provided.
- Details relating to the reporting of life insurance property, safe deposit boxes, securities, mutual funds, and oil and gas are included.
- Of interest is a requirement that Holders remit reports electronically using the most current NAUPA standard format. Indeed, this may prove difficult if Arkansas fails to immediately adopt and switch to the upcoming NAUPA III format once it is officially finalized.
- Also notable is the requirement that property be reported based on its original nature. For example, if a cashier’s check is issued to pay wages, the property must be reported as wages

### VDA and Audits

- Details related to the state’s Voluntary disclosure program (“VDP”) are provided. Notably, a holder may not enter into the VDP if they have done so within the past 10 years or if they are currently under audit.
- The regulations provide for a six-year lookback period.
- Third-party auditors are specifically authorized.

## CA S 822

INTRODUCED: 2/21/2025

ENACTED: 10/11/2025

EFFECTIVE: 1/1/2026

### Definitions

1. Digital financial asset is defined to mean “a digital representation of value used as a medium of exchange, unit of account, or store of value, and that is not legal tender, whether or not denominated in legal tender.”
2. “Digital financial asset” does not include any of the following:
  - a. A transaction in which a merchant grants, as part of an affinity or rewards program, value that cannot be taken from or exchanged with the merchant for legal tender, bank or credit union credit, or a digital financial asset.
  - b. A digital representation of value issued by or on behalf of a publisher and used solely within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform.
  - c. A security registered with or exempt from registration with the United States Securities and Exchange Commission or a security qualified with or exempt from qualifications with the department.
4. “Private key” means a unique element of cryptographic data used for signing transactions on a blockchain that is known to the owner of the element.

### Escheatment of Digital Financial Assets

1. Digital financial assets escheat to the state three years after either (1) the date a written or electronic communication is returned as undeliverable or (2) the last owner contact.
2. The last known address of an apparent owner, for the purpose of determining the jurisdiction over property subject to escheat is either of the following:
  - a. The address used for purposes of delivering first-class United States mail.
  - b. Any description, code, or other indication of the location of the apparent owner that identifies the state of last known address, even if the description, code, or indication of the location is not sufficient to direct the delivery of first-class United States Postal Service mail to the apparent owner.
  - c. If there is a conflict between the address identified and any description, code, or other indication

identified, the address identified will be deemed as the last known address of the apparent owner.

3. No more than 30 days after the final date for filing the report, the holder must transfer the exact digital financial asset type, private keys, and the unliquidated amount to the Controller’s cryptocurrency custodian or as the Controller by regulation may designate.
4. If the holder possesses only a partial private key to the digital financial asset or is otherwise unable to move the digital financial asset to the Controller, the holder must maintain the digital financial asset until the additional keys required to transfer the digital financial asset become available to the holder or the holder is otherwise able to transfer the digital financial asset to the Controller.
5. The holder of any partial key to any unclaimed digital financial must attempt to obtain the minimum number of keys required to transfer the digital financial assets within 60 days of determination that the digital financial assets are eligible for escheatment.
6. The Controller can convert the reported digital financial assets to fiat currency no sooner than 18 months, but no later than 20 months after the date the report is filed.

### Due Dilligence

1. Due diligence must be sent to owners of unclaimed digital financial assets by certified mail. There is no threshold for mailing such that notice goes to all owners of virtual currency regardless of value.
2. If the holder does not have the owner’s address but has consent for electronic service, they may notify the holder electronically.
3. The notice must be sent no more than 12 months, but not less than 6 months before the property is reportable.
4. The notice must contain a header that states or expresses similarly the following, “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 contain the date that property will escheat to the state, the claim process, and effects of escheating.

5. The notice must also, in a bold or two points larger than the rest of the notice,
  - a. specify that there has been no indication of owner interest in the digital financial asset in the last two years since the last date of interest,
  - b. identify the digital financial asset by number or other identifier that does not need to exceed four digits,
  - c. indicate that the digital financial asset is in danger of escheating to the state, and
  - d. specify that the law requires the holder to transfer the digital financial asset to that state after 3 years of no owner interest
4. The notice shall include a form from the state on which the owner can confirm their current address. The owner can either return the form or contact the holder by phone or electronically. Both of these responses would count as owner interest and restart the dormancy period. The holder must document the phone or electronic communication in a memo and keep on file. The holder may also give additional notice at any time.

#### **FL H 1221**

#### **FL S 1452**

INTRODUCED: 1/13/2026

The bills propose many changes to terminology and add some new requirements. Interestingly, many of the changes are to provisions either added or amended in 2024. The notable changes are as follows:

#### Definitions and Terminology Changes

- The term “unclaimed” is replaced with “abandoned” throughout the entire chapter of the law.
  - A definition of “Abandoned Property” is added and is defined to mean property held by a holder for which all of the following are true:
    - The apparent owner has shown no activity or indication of interest for the duration of the applicable dormancy period established under this chapter.
    - The holder has complied with the due diligence requirements set forth in this chapter, including the issuance of notice to the apparent owner, and has received no response or contact sufficient to demonstrate continued interest in the property.
  - The definition of “Apparent Owner” has been changed to include owners whose status of ownership may change due to passage of time or other circumstances.
- “Authorized Representative” is added and defined to mean a person or entity with the power to act on behalf of the apparent owner, such as an agent, fiduciary, trustee, or other individual authorized by law or agreement.
  - The definition of “Holder” is amended to mean “a person who is in possession of property belonging to another or who owes a debt or an obligation to another person, including, but not limited to, financial institutions, insurance companies, corporations, partnerships, fiduciaries, and government agencies.” Current law defines holder as the person in possession, control or custody of property belonging to another and who is indebted to another on an obligation or obligated to holder for the account of or to deliver or pay to the owner of property.
  - “Intangible Property” is amended to exclude non-freely transferable securities and securities subject to a lien or legal hold that restricts the ability to sell, transfer, or receive the security.
  - A definition for “Non-Freely Transferable Securities” is added and defines the property as securities that cannot be delivered to the administrator by the DTC Corporation, similar custodian or there is no agent to affect the transfer. This term also includes worthless securities.

#### Owner interest

- Under revised language, the general rule is that property is presumed abandoned 5 years after it becomes payable or distributable. Property is considered payable or distributable once the holder’s obligation to pay or deliver the property arises, regardless of whether the apparent owner or authorized representative has failed to demand or to present documents required to receive payment.
- The new law makes it clear that routine automatic transactions, including automatic deposits, withdrawals or reinvestments are not considered contact.

## Unclaimed Stock, Equity and Debt

- The criteria for presuming stock, equity interests, or debt of a business association to be abandoned has been changed again. Seemingly, after industry feedback a return mail element has been added back into the law. However, reminiscent of Illinois securities related provision, depending on the trigger for dormancy, a different dormancy period is used. Indeed, the new law proposes that such property is presumed abandoned on the date of the earliest of any of the following
  - Three years after the account is coded RPO (mail has been returned).
  - Five years after the date of last owner generated contact.
  - Two years after date of death of the owner, as evidenced by a notice from an authorized representative, receipt of a copy of the owner's death certificate, or confirmation through other means or evidence that leads the holder to reasonably conclude that the owner is deceased.
- A pre-escheat notice obligation is added if holders do not annually send owners of securities first class mail. Such communication must be by email no later than three years after the owner's last demonstration of interest. If the holder does not have the information needed to email or they believe the email to be invalid, the holder receives notification that the email was not received, or the owner does not respond, then the holder must contact the owner by first-class mail. If the first-class mail is returned as undelivered, then the equity interest is presumed abandoned.
- The dormancy period for unmatured or unredeemed debt, other than a bearer bond or an original issue discount bond, is increased from 3 to 5 years after the most recent interest payment is unclaimed by the owner.
- The dormancy period for matured or redeemed debt is increased from 3 to 5 years after the date of maturity or redemption
- The dormancy period for any dividend, profit, distribution, interest redemption, payment on principal, or other sum held or owing by a business association for or to a shareholder, certificate holder, member, bondholder, or other security holder is increased from 3 to 5 years after the date prescribed for payment or delivery

## Due Diligence

- Property is not considered abandoned for the purpose of reporting and remitting if the holder has not conducted the required due diligence efforts, regardless of the expiration of the dormancy period.
- The timeframe for sending due diligence has changed from 60-120 days to 90-180 days before filing the report. The threshold value remains at \$50 or more.
- The option to send the notice by email remains.
- A new requirement to send due diligence by certified mail is added for properties greater than \$1000. This letter must be sent at least 60 days before the report deadline.
  - These costs may be deducted from the property as a service charge for the holder.
- The required language for due diligence is amended.

## Reporting Requirements

- Reports must be signed by or on behalf of the holder and verified for completeness and accuracy, as well as a statement from the holder stating that they complied with all due diligence requirements.
- Non-freely transferable or worthless securities should not be reported until they become transferable or gain value. If this does happen, report and remit them in the next reporting cycle.

## **GA S 403**

INTRODUCED: 1/15/2026

This bill amends the current unclaimed property law to address virtual currency and update due diligence requirements. The changes are as follows:

## Due Diligence

- In addition to written due diligence, email due diligence is now required for property where the owner has agreed to receive electronic communications.
- For properties with a value over \$10,000, mailed letters must be sent by certified mail.

## Owner Interest

- Specific owner interest provisions are added. The following are considered owner-generated activity:
  - directing activity in an account, such as electronically accessing the account or
  - changing the amount or type of property held in the account

## Virtual Currency

- Virtual currency is presumed abandoned 5 years after the date of last contact.
- Holders cannot deduct any fees from the unclaimed virtual currency unless there is a valid written contract between the holder and the owner.
- Virtual currency must be liquidated within 30 days prior to reporting and the proceeds remitted with the annual report.
- The owner has no recourse against the holder or the state.
- If a holder cannot liquidate the virtual currency, the commissioner must be notified in writing. The commissioner will then provide transfer instructions or instruct the holder to maintain the currency until it can be liquidated.

If enacted, the law will go into effect on July 1, 2026.

### **IL Reg 20820**

PROPOSED: 9/26/2025

ADOPTED: 1/16/2025

Illinois regulation 20820 was adopted on January 16, 2026, clarifying the additional owner outreach requirements for non-retirement, long-term, tax-deferred and tax-exempt accounts recently enacted through Illinois Senate Bill 1667, effective 1/1/26. The requirements are as follows:

- Starting in the 10th year since a tax-exempt or tax-deferred account is opened, if there has been no indication of interest from an owner in the last three years, the holder must attempt to contact the owner of the account in a manner similar to due diligence.
- This additional outreach is not a replacement for regular due diligence.
- The purpose of this is to ensure that the owner is alive and aware of the account.
- If the owner responds and indicates interest in the account, no additional outreach is required.
- Additional outreach is only required for accounts of \$50 or more.
- The initial attempt should be made by U.S. Mail, email, telephone, or in person visit.
- If the first attempt fails, the holder should attempt a different method of communication.
- The holder should send the notice by certified mail if the value of the account is more than \$1,000, other attempts have failed, and the address on file is

sufficient for delivery of mail.

- The holder may use the internet to find up to date contact information for the owner and attempt to contact any beneficiaries or contingent beneficiaries to obtain updated contact information for the owner.

If at least two attempts to contact the owner are unsuccessful, the holder may report and remit the property to the state. However, it is not required. Once the property is remitted to the state, it is presumed abandoned.

### **KS S 352**

INTRODUCED: 1/21/2026

Kansas Senate Bill 352 was introduced on January 21, 2026, and amends the current unclaimed property law to address digital assets. The proposed changes are as follows:

1. Digital assets are presumed abandoned three years after written or electronic communication to the owner is returned as undeliverable.
2. The holder must report and deliver the digital asset in its native form to the administrator or their designated qualified custodian within 30 days after reporting.
3. On direction by the administrator, the qualified custodian may stake to receive rewards or receive airdrops.
  - a. "Airdrop" is defined as a way to issue a unit of a digital asset to people who meet certain conditions in a blockchain system, usually as a reward for participating. This can include incentives for activities relating to the blockchain system such as mining or staking. This does not include exchanges of more than nominal value of cash or property.
  - b. "Staking" means committing digital assets to a blockchain network to support the blockchains operations by validating transactions and securing the network.
4. On the expiration of three years after the date that the digital asset was transferred to the qualified custodian and if the property remains unclaimed, any airdrops or staking rewards shall be transferred to the bitcoin and digital asset reserve fund created by this same bill.
5. If the holder only possesses a partial private key to the digital asset or is unable to move the digital asset, the holder must maintain such digital asset until the additional keys required to transfer such digital asset become available.

If enacted, this law will go into effect upon its publication in the Kansas Register.

## **MS H 1477**

INTRODUCED: 1/19/2026

Among other things, the bill creates a comprehensive new framework for handling abandoned safe deposit box contents in Mississippi.

### Safe Deposit Boxes

1. The contents of a safe deposit box are presumed abandoned two years after the lease on the box expires due to nonpayment.
  - a. The presumption of abandonment only applies to boxes that have been drilled before the date this new law is enacted if two or more years have already passed.
2. If the rental payment on a safe deposit box is delinquent for at least one year, “the lessor may send written notice by first class U.S. mail, and electronic notice if the lessor maintains an electronic mail address” informing the lessee that the contents of the box will be removed if the rent is not paid before a date specified in the notice. The date specified in the notice may not be more than 60 days from the date the notice was sent. The optional notice must contain specified language.
  - a. If the rent is not paid by the date specified, the lessor may open the box and inventory the contents.
  - b. It is not clear from the language of the bill whether this new provision is designed to amend Mississippi’s unclaimed property law or banking law.
  - c. This new provision does not conflict with Mississippi’s general due diligence requirement which states: “the holder shall, before filing the required report, endeavor to communicate with the owner and take reasonable steps to prevent abandonment from being presumed. The mailing of notice to the last-known address of the owner by the holder shall constitute compliance[.]”
3. The contents of the safe deposit box must be reported to the State Treasurer no later than November 1.
  - a. The contents must be reported separately from all other unclaimed property.
  - b. The state treasurer will create a separate reporting form for this reason.
4. The state treasurer must establish a process and

timeline for reports filed before 1/1/2027. For reports filed after this date, the treasurer must assign a delivery date that is not more than one year after the filing date, and the lessor shall receive such notice no less than 30 days before the scheduled delivery date.

5. If the owner contacts the holder before they deliver the contents to the state, the holder must send an updated report with the delivery that excludes the claimed contents.
6. The holder can reclaim the tangible property from the state without a fee or other charges after filing proof that the owner has claimed the property from the holder.
7. Holders must retain a copy of the report and a record of the owner’s name and address for five years following the report date.
8. If the lessor delivers property to the State Treasurer’s office in good faith and, after delivery, a person claims the property or another state claims the property under its laws relating to escheat or unclaimed property, the State Treasurer, upon written notice of claim, shall defend the holder against any liability on the claim.

### Banking Property – Owner Interest

1. For any demand, savings, or matured time deposit, any record of correspondence in writing from the holder to the owner, which is not returned as undeliverable, is counted as an indication of owner interest.
2. A linkage provision is added providing that owner activity in one account in the financial institution constitutes activity in all accounts held with the institution.

## **OHH 480**

INTRODUCED: 9/29/2025

On September 29, 2025, Ohio House Bill 480 was introduced seeking to amend the current unclaimed property law. The proposed changes are as follows:

### Exemptions

1. De minimis Exemption - Ohio is proposing to exempt any property with a value under \$25 from reporting. However, holders may voluntarily report property valued at less than \$25.
2. Certain Bank Accounts – The bill proposes to exempt

demand or savings accounts held at a bank or credit union when the only activity on the account is one or more recurring electronic debit or credit transfers. This includes transfers made via automated clearing house, but not including fees charged by the holder or automatic reinvestments of dividends or interest.

3. Gift Cards and Loyalty Cards – These products are still exempt from reporting. However, a definition of each is added.
  - “Gift card” means a stored value card, including a prepaid commercial mobile radio service as defined in 47 C.F.R. 20.3, that meets all of the following conditions:
    - The value of the card does not expire.
    - The card may be decreased in value only by redemption for merchandise, goods, or services.
    - Unless required by law, the card may not be redeemed for or converted into money or otherwise monetized by the issuer.
  - “Loyalty cards” are records given under an award, reward, benefit, etc., that may be used to obtain goods or services. This does not include a reward card or record that may be redeemed for money or otherwise monetized by the issuer.

#### Exemption Removed

The bill proposes to remove the under \$50 exemption for sums payable as salaries or commissions. If enacted, all unclaimed sums payable over the \$25 exemption, such as salaries or commissions, will be reportable.

#### Virtual Currency

1. Virtual currency is added to the definition of Unclaimed Funds and is defined as a digital representation of value use as a medium of exchange, unit of account, or store of value that does not have legal tender status. It does not include virtual currency software or protocols, game-related digital content, gift cards, loyalty cards, and rewards cards
2. Virtual currency is presumed abandoned 5 years after the date of last contact.
3. Virtual currency must be liquidated prior to reporting. Owners will have no recourse against the holder or the state.

#### Certificates of Deposit

1. Current law addresses Certificates of Deposit (CDs) in the provision addressing securities. The proposed law

removes CDs from that provision and creates a new provision addressing the criteria for abandonment of CDs.

2. The bill provides that automatically renewing CDs are presumed abandoned 5 years after the first renewal unless the owner provides consent for renewal. Consent must be given upon each renewal in order to restart the five-year dormancy period. If consent is not given timely, the five-year dormancy period begins to run five years after the most recent consent is due.
3. If paying unclaimed CD funds to the state would trigger early withdrawal penalties or interest forfeiture, the payment deadline is extended until no penalty would apply.
4. Holders can wait until CD maturity to remit funds, avoiding customer harm from penalties.

#### Dividends, Distributions, and Funds Subject to Automatic Reinvestment

1. Under current law, funds that are subject to an agreement between the holder and owner providing for automatic reinvestment and that constitute dividends, distributions, or other sums held or owed by a holder in connection with a security are presumed abandoned 5 years after the mail has been returned.
2. Under the proposed law, returned electronic and digital communication is added as the type of notification that satisfies the returned notification requirement.

#### Due Diligence

1. Due diligence may be sent electronically so long as read receipts are requested.
2. Under current law, an address is considered “not accurate” when the owner fails to respond to first class mail, mail to the owner has been returned, or when a search confirmed the address as inaccurate.
3. Under the proposed law, “electronic or digital notice sent by the holder to the last known electronic mail, text telephone number, or facsimile number verified as received by a ‘read receipt’ or otherwise”, is added to the list. It sounds like the sentence is unfinished. It would appear that if the failure to reply to the electronic notice or if no “read receipt” is sent back, the address would be considered inaccurate.

#### Record Retention and Statute of Limitations

1. The record retention requirement is increased to 10 years from 5 years, starting at the date the report was filed.
2. Correspondingly, the look back period for audit is extended to 10 years.

3. Further, the state is subject to a statute of limitations of 10 years after a report is filed unless the report filed was filed fraudulent.

#### Reporting

Under the current law, holders are only required to pay 10% of the unclaimed funds that appear in the annual report. The remainder can be retained by the holder. The proposed law removes this option, requiring that all funds be remitted along with the annual report.

#### Penalties

1. Any holder who negligently fails to comply with the unclaimed property law, such as failure to report, will be fined the lesser of 5% of the value of the unclaimed funds or \$5,000 for each month the violation occurs. The total fines per violation may not exceed the lesser of 25% of the value of the unclaimed funds or \$5,000.
2. Any holder who knowingly fails to comply with the unclaimed property law, such as failure to report, will be fined the lesser of 5% of the value of the unclaimed funds or \$10,000 for each month the violation occurs. The total fines per violation may not exceed the lesser of 50% of the value of the unclaimed funds or \$10,000.
3. "The value of the unclaimed funds" means the market value as of the date prescribed for reporting and payment. If no market value is determinable, the property will be valued as of the same date on the basis used by the department of taxation. "The value of the unclaimed funds" does not include interest.

#### Effective Date

This law will go into effect on the 91st day after being filed with the Secretary of State.

#### **UT S 155**

INTRODUCED: 1/20/2026

Like a similar bill that failed last year, this bill proposes to fix errors in Utah's law addressing the presumption of abandonment of tax-deferred requirement accounts putting the language more in line with the language found in the Revised Uniform Unclaimed Property Act of 2016.

First, the bill adds tax exempt retirement accounts to the list of retirement accounts subject to the presumption of abandonment. Second, the criteria for the presumption of abandonment are changed. Tax exempt or deferred retirement accounts will be presumed abandoned after the later of:

1. three years after first-class notices are returned as undeliverable; or
2. the earlier of:
  - three years after the owner turns the age determined by the income tax laws to avoid a tax penalty or
  - one year after the mandatory distribution date following death if the income tax laws require it and the holder receives confirmation of death in the ordinary course of business or confirms it within 90 days of receiving notice of death.

Previously, tax deferred retirement accounts were presumed abandoned three years after the later of undelivered first-class notices or the earlier of three years after the date the owner becomes 70.5 years or required distribution two years after confirmation of death.

Presumably, tax exempt retirement accounts are added to the provision to ensure that Roth IRAs are included. However, with the change from 70.5 years of age to the mandatory distribution date as one trigger for dormancy, living Roth IRAs are essentially removed from the provision. That is, because there is no mandatory distribution for living Roth IRA owners, such property would not be escheatable under this provision.

If enacted, this law will go into effect on May 6, 2026.

#### **VA H 798**

INTRODUCED: 1/14/2026

The bill addresses unclaimed digital assets. The proposed changes are as follows:

1. 1. New definitions are added.
  - a. "Digital account holder" is an account or wallet that could contain digital financial assets and is maintained by an owner with a holder.
  - a. "Digital financial asset" means a digital representation of value used as a medium of exchange, unit of account, or store of value, but is not legal tender, regardless of if it is denominated in legal tender. This does not include:
    - i. digital assets from and within online games,
    - ii. securities registered or exempt from registration with the SEC or exempt from qualifications with the Virginia department of Treasury, and
    - iii. rewards from rewards programs where they

cannot be exchanged for legal tender, bank credit, or a digital financial asset.

- c. "Private key" is defined as a unique piece of cryptographic data that is used for signing transactions on a blockchain and only known by the owner.
2. A digital financial asset account is presumed abandoned 5 years after either:
  - a. The date a second written or electronic communication is returned as undeliverable, or
  - b. The date of the last act of owner interest if the owner does not receive communications from the holder or the holder does not have the means to track the non-delivery of communications.
3. If the holder has full control of the necessary private keys, the property must be reported and delivered in its native form. Proof of delivery must be provided upon request.
4. In the event the holder possesses only a partial private key to the digital financial asset or is otherwise unable to transfer the digital financial asset, the holder must maintain the digital financial asset until the additional private keys required to transfer becomes available or the holder is otherwise able to transfer the digital financial asset to the administrator.
5. The administrator must establish a process to reunite owners with their digital financial assets and may liquidate assets after one year. The administrator may also select one or more custodians to manage the safekeeping of remitted digital financial assets.

If passed, this law will go into effect on July 1, 2026.

## **VT H 567**

INTRODUCED: 1/6/2026

Reports for medical, life, or endowment insurance policies or annuities contracts must now also contain an explanation of benefit numbers.

## **WA H 1127**

INTRODUCED: 1/13/2026

STATUS: 1/12/2026

### Prearrangement Funeral Services

- Proceeds of any prearrangement funeral service contract issued by a funeral establishment, where

money paid is required to be deposited in a trust are presumed abandoned 3 years after the earlier of

- Date of death
- The date the contract beneficiary, if alive, would have reached 107 years of age
- 50 years after the contract was executed
- The amount reportable for an abandoned prearrangement funeral service contract is determined under the laws of the state where the contract was executed. For contracts entered into in Washington state, the amount reportable is the total of the trust balance, including accrued interest.
- The apparent owner of an unclaimed prearrangement funeral service contract is determined under the laws of the state where the contract was executed.

### Definitions

- The definition of insurance company is updated to specify that it does not include government agencies that provide insurance and also replaces "worker compensation insurance" with "Industrial insurance" to broaden the term.
- Updates the definition of Virtual Currency to mean any type of digital unit and not just a digital representation of value, and explicitly includes cryptocurrency.

### Dormancy Periods

- Excludes bonds held by government entities, subdivisions, agencies or instrumentalities from the 3-year dormancy period prescribed to a state or municipal bond, bearer bond, or original issue discount bond
- Excludes reimbursements from list of employee compensation subject to a one-year dormancy period.
- Extends the dormancy period from 6 months to one year from the date of sale for excess proceeds from the sale of property by self-service storage facility owners.
- Gift certificates with expiration dates (as opposed to stored value cards) are now considered reportable property and are presumed abandoned 3 years after the amount becomes payable or distributable.
- Tax deferred retirement accounts
- The dormancy trigger for tax deferred retirement accounts is no longer when the owner becomes 72 years of age. Instead, tax deferred retirement accounts are now presumed abandoned 3 years after the later of:

- Returned mail or
- The earlier of:
  - Mandatory distribution date or
  - Two years after confirmation of death.

#### Stored value cards

- Removes language that starts the dormancy period on December 31st of the year the card was issued.

#### Reporting Requirements

- The aggregate reporting threshold is lowered from \$50 to \$5.
- Non freely transferable securities no longer to be reported.
- The report and remit deadline is clarified as October 31. For insurance companies, the deadline is April 30th.
- The due diligence threshold is lowered from \$75 to \$50
- Removes language stating that tangible property from a safe deposit box cannot be delivered until 180 days after the report is filed. Since no other information is provided, it is assumed that such property must now be delivered by the October 31 reporting deadline.

#### Dormancy Charge

- Holders deducting a dormancy charge from reported property, in addition to existing requirements, must notify the owner three months before ceasing the payments or charging the dormancy fees.

#### Virtual Currency-Liquidation

- Virtual currency must be liquidated 30 days before the annual report is filed. The owner will not have recourse against the holder or administrator for an gain in value after the liquidation.

#### Holder Refunds

- The State's Holder Reimbursement provisions are now referred to as Holder Refund provisions.
- Holders seeking to recover funds related to an interest-bearing demand, savings, or time deposit are entitled to the interest that would have been paid to the owner had it claimed the property from the state.
- Administrator is responsible for refunding the holder for any excess amount that was delivered in error or paid in excess.

- A 6-year time limit for reimbursements that starts the end of the calendar year after the payment or delivery occurs is added. This will not apply to completed refund requests received prior to the 6-year limit.
- A written waiver signed by the holder and administrator may extend the refund period.
- If the administrator determines that an application for refund is not complete, they must provide the holder with a written notice granting the holder an additional 90 days to provide the needed information.
- Interest must be added to the refund by the administrator and must be computed from the date the administrator received the excess payment, which is the original report date of the property, to the date the refund is issued.

#### Statute of Limitations

- The existing 6-year statute of limitations will now only apply if the holder files a report meeting all requirements of Washington's unclaimed property law. Otherwise, the statute of limitations remains at 10 years after the duty to report arose.

#### Administrator Concerns

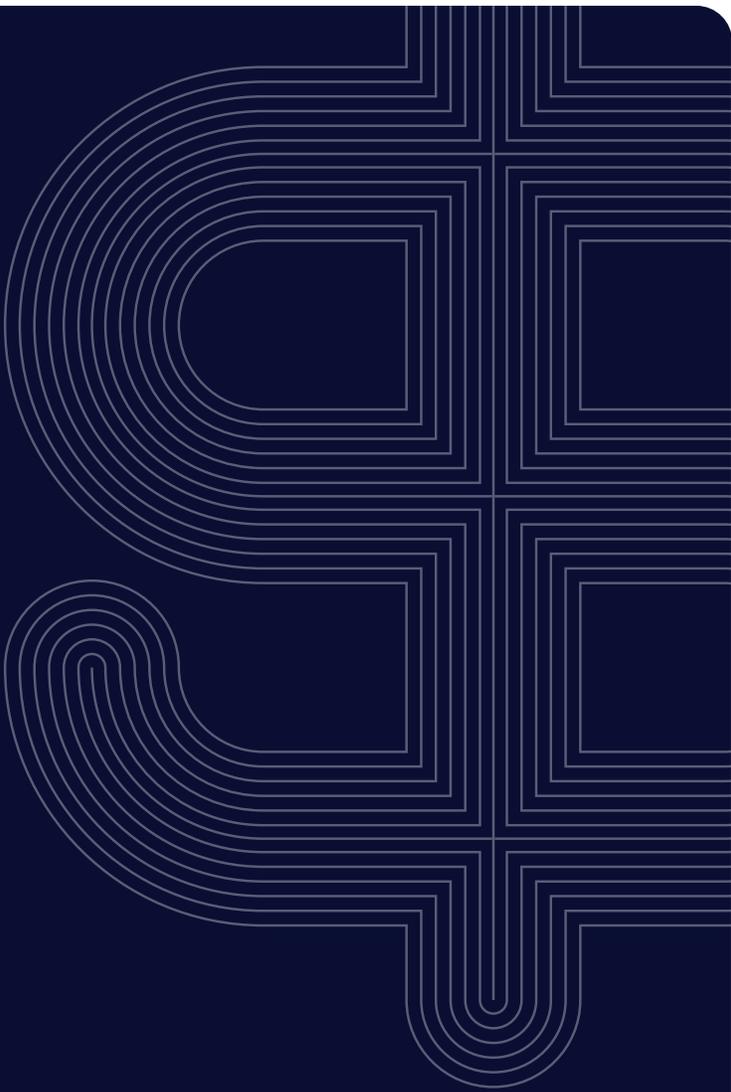
- With respect to property other than safe deposit contents and securities, the language stating that the administrator may not sell property earlier than three years after receipt is removed.
- Removes language that allows owners to request that the administrator sell or liquidate securities before they pay the claim to the owner.
- Removes language that allows the administrator to demand a report and delivery of property from a holder 60 days before the administrator assigns an examiner.

#### Owner Interest

- Activity by the owner on another account held by the same business association or financial organization is considered owner interest

#### Safe Deposit Boxes

- The administrator must provide holders with instructions regarding the delivery of tangible property in safe deposit boxes.



# UPDATE

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[taxregulatoryreporting@sovos.com](mailto:taxregulatoryreporting@sovos.com)

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