

A close-up photograph of a person in a dark blue suit and white shirt, holding a magnifying glass over a document. The person's hands are visible, and the document is held taut. The background is a soft, out-of-focus blue.

# Unclaimed Property Liabilities Are Real and Expensive!

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# **Unclaimed Property liabilities are real and expensive!**

*Written by Jordan Goodman – 4/14/19*

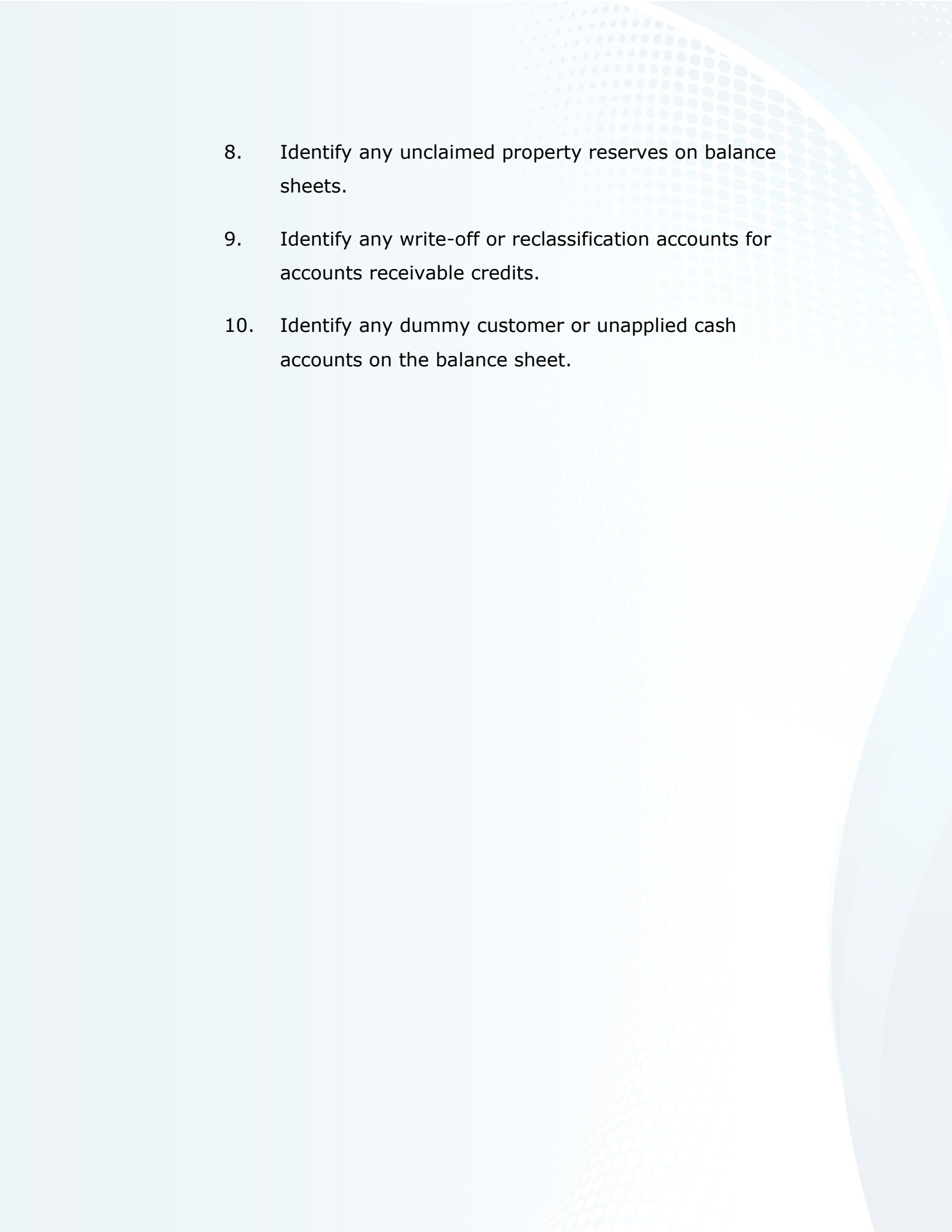
Anyone who has been the subject of an unclaimed property audit knows exactly what I am talking about. Audits last for years; are a burden on not only your tax function, but payroll, payable but your credit and accounts receivable folks as well. With the estimation techniques, liabilities have grown exponentially and it is only getting worse. Below are 10 quick steps written by my friends Joe Carr, Michael Kenehan and Sara Lima in a Tax Notes article to get you started.

Holders should approach unclaimed property by taking the following Top 10 steps to understand risk profile, mitigate risks appropriately, and comply with state escheat laws:

1. Determine if your company, at parent and subsidiary levels, has been filing unclaimed property returns in the various states, including identifying (a) states filed in, (b) years reported, (c) property types reported, (d) states of incorporation/formation, and (e) dates of incorporation/formation, and so forth.
2. Determine whether the company, at parent or subsidiary levels, has undergone an unclaimed

property audit or VDA, and if so, for which states, property types, and years.

3. Determine if the company, at parent or subsidiary levels, has undergone a bankruptcy proceeding that may preempt state escheat laws.
4. Determine whether the company has written unclaimed property policies and procedures.
5. Evaluate whether the company's record retention policies for treasury, tax, and related information are consistent with average state reach-back periods of 13-15 years (for example, monthly bank statements, monthly void and outstanding listings, monthly reconciliations, check registers, void and check paid support, settlement documents, tax returns, and merger and acquisition documentation).
6. Determine if the company or its subsidiaries have system conversions or limitations to obtaining data and researching data in the record retention period identified in step 5, and if so, for which property types and years.
7. Identify where the company has significant customers, vendors, and employees using state income tax apportionment workpapers coupled with customer, vendor, and employee master maintenance files.

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8. Identify any unclaimed property reserves on balance sheets.
  9. Identify any write-off or reclassification accounts for accounts receivable credits.
  10. Identify any dummy customer or unapplied cash accounts on the balance sheet.

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