

Subject: Escheatment Procedures	Author: Jon Rexroat
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In order to comply with Commonwealth of Kentucky abandoned property laws as well as similar laws in other states, the University adheres to the following policy and procedures with respect to escheating unclaimed property in its possession to the appropriate state agencies:

Accounting/Bookkeeping

The [policy/procedure on Stale Dated Checks](#) covers procedures for recording stale dated checks as well as the due diligence processes necessary for notifying payees.

Compliance/Reporting

- Each March and September, the Tax Manager shall request the detail of stale dated checks from University Accounting and Reporting. The Tax Manager will then populate the unclaimed property spreadsheet template with this information. See ATTACHMENT 1 for a copy of the spreadsheet. This spreadsheet is obtained from the [UPExchange website](#). UPEXchange is a free online reporting service which converts unclaimed property data into an electronic format acceptable for filing in most states.
- The Tax Manager shall be responsible for ensuring the template is populated providing detailed listings of uncashed checks, credit balances, or any other items in the University's possession that have become abandoned as per the bookkeeping guidelines noted above. As states do not presume checks or payments are abandoned until they are from 3 to 7 years unclaimed, only items that are greater than 3 years old will be reported. Items that are less than 3 years unclaimed are not presumed abandoned.
- The Tax Manager will contact the University's Director of Payroll for additional detail of uncashed payroll checks. Most states presume payroll checks are abandoned if they remain uncashed for 1 year.
- The following fields are the most critical when populating the spreadsheet:
 - Last transaction date (date of last contact with this payee or date of check if last transaction date with payee is not known or otherwise attainable)
 - Dollar Amount
 - Payee Name
 - Payee State of Location
 - Payee Street Address

- The Tax Manager will sort the information by state and by last transaction date. Property is reported to states based on the last known address of the payee. Where the payee's last address is not known, property is reported to the state of incorporation of the holder (for most university entities, Commonwealth of Kentucky). This rule is consistent with current escheatment law and with the U.S. Supreme Court decisions in Texas v. New Jersey (1965) and Delaware v. Texas (1993).

Once the information is sorted by state, the Tax Manager will report property according to the attached Due Dates and Reporting Guidelines (see ATTACHMENT 2). Most states require annual reporting with due dates in either May or November. For states with threshold amounts (< \$10,000), an administrative judgment will be exercised regarding when to commence the reporting process. Generally, once the University begins reporting unclaimed property to a state, the state will continue to mandate annual filing even if there is nothing to report.

- Once the Tax Manager selects the items that need to be reported and to which states (depending on due dates), he/she can import the data on the spreadsheet template into the UPEXchange reporting software and prepare the reports and generate the payments. Keep in mind that some states allow the electronic files generated by this software to be uploaded on their websites for easier reporting. Also, a small number of states require a different reporting format other than what is generated by UPEXchange. The Tax Manager will review state websites prior to filing reports for updated guidelines.
- When submitting checks requests, the Tax Manager will offset liability accounts X0026/221205 for vendor checks and X0027/221207 for payroll checks. Once unclaimed property reports are filed and payments remitted, the Tax Manager will provide a list of the specific stale dated items that have been turned over to the state(s) to University Accounting and Reporting and to the Director of Payroll so that these items can be cleared off the general ledger.

[ATTACHMENT 1 – ETM Import Template](#)

[ATTACHMENT 2 – State Tax Chart](#)