

JANUARY 8, 2015

New Year's Treasure? AB 1712 Clarifies that Nonprofits May Claim Unclaimed Property of Certain Dissolved Affiliates in California

This past August, Governor Jerry Brown signed into law [AB 1712](#), which amends the California Code of Civil Procedure to clarify that certain nonprofit organizations whose affiliates have dissolved may claim the unclaimed property of those dissolved entities under the state's unclaimed property system.

Unclaimed Property Law in California

California's [Unclaimed Property Law](#) provides a mechanism for persons to file claims with the state Controller to collect financial assets (other than real estate) that are rightfully theirs, but that "escheated" (or, reverted) to the state because no one claimed them. The purpose of unclaimed property laws is to prevent businesses from retaining unclaimed consumer assets and using them as business income. Such unclaimed assets are required to be deposited with the state [Controller](#).

The Unclaimed Property Law provides that the Controller has 180 days to respond to a request from a person claiming to be the owner of a particular unclaimed property. Only "owners" – as defined in the statute – have the right to file claims and receive property. Previously, "owner" was defined as "the person who had legal right to the property prior to its escheat, his or her heirs or estate representative, his or her guardian or conservator, or a public administrator...." In other words, while the heirs of a deceased individual could claim unclaimed property of a deceased, it was unclear that any person had similar rights with respect to an organization that had dissolved, leaving the state with assets that were both unclaimed and "unclaimable."

AB 1712

AB 1712 seeks to restore charitable dollars to the nonprofit sector by expressly allowing certain parent organizations to claim property belonging to dissolved affiliates. The new law adds the following sentence, expanding the meaning of owner to include nonprofits that granted a charter, sponsorship, or approval of the dissolved entity's existence in the first place and are the named beneficiary to a dissolved entity's remaining assets:

An "owner" also means a nonprofit civic, charitable, or educational organization that granted a charter, sponsorship, or approval for the existence of the organization that had the legal right to the property prior to its escheat but that has dissolved or is no longer in existence, if the charter, sponsorship, approval, organization bylaws, or other governing documents provide that unclaimed or surplus property shall be conveyed to the granting organization upon dissolution or cessation to exist as a distinct legal entity.

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AUTHOR



A&C Alumni

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EDITORS

Stephanie L. Petit
PrincipalEric K. Gorovitz
Principal

According to [AB 1712's Bill Analysis](#), of the approximately \$600 million that escheats every year to the State Controller's office, it is unknown how many owner accounts

belong to nonprofit organizations, but a cursory search by the Committee of some common examples suggests the number could be in the thousands. (For example, the term 'AYSO,' short for American Youth Soccer Organization, yields over 100 records; 'Girl Scouts' yields over 200 records; 'Boy Scouts' over 100 records.)

So if an organization ever approved the creation of an affiliated or subordinate organization that is no longer in existence, then it's possible it could be the recipient of a new year's surprise. The Controller's unclaimed property site may be searched [here](#).