

# CLIENT ALERT

A continuing series published by Partridge Snow & Hahn LLP

## Rhode Island Amnesty for Unclaimed Property Compliance

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Rhode Island's Division of Taxation has recently announced that it will increase audit activity of companies doing business in Rhode Island to ensure compliance with the state's abandoned, or "unclaimed", property requirements. In connection with this effort, the Rhode Island State Treasurer's Office has provided an Unclaimed Property Amnesty Program (the "Amnesty Program") to allow companies to evaluate their unclaimed property reporting procedures and be satisfied that they comply with disclosure requirements for unclaimed property.

The Amnesty Program will give companies until December 31, 2007 to report unclaimed property without being penalized for inadequate reporting. Typically, willful failure to file any report or perform other duties required under the unclaimed property statute may be subject to a civil penalty of not less than \$100 nor more than \$500 for each day

the report is withheld or the duty is not performed, but not more than \$10,000. A fine may be imposed of up to \$100 per day for each examiner required to assess the value of the property being held. Willful failure to deliver property to the state may also result in a civil penalty equal to 25% of the value of the property that should have been delivered. Under certain circumstances, a company in possession of unclaimed property must also send written notice to the apparent owner of the property to inform him or her that the company is in possession of such property.

Under Rhode Island law, companies with two or more employees are required to file a report annually with the Rhode Island State Treasurer detailing any unclaimed property in their possession that is presumed "abandoned" pursuant to R.I.G.L. § 33-21.1-2. This may include items such as cash, deposits, gift certificates, customer credit balances,



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customer overpayments, refunds, unpaid wages, utility deposits, stocks and dividends, life insurance policies, and other intangible ownership interests in business associations. Such items are presumed abandoned if left unclaimed by the owner for more than 3 years after becoming payable to the recipient. However, wages and utility deposits are considered abandoned after 1 year. The Rhode Island State Treasurer's Office will hold unclaimed property in trust until the rightful owner is located.

Companies are required to annually submit to the Rhode Island State Treasurer a Report of Unclaimed Property by November 1, 2007 on Forms UP-1 and UP-2. The forms detail the information that must be disclosed to the Treasurer regarding the unclaimed property involved and the company in possession of the unclaimed property.

If you have questions about this Client Alert, please contact David C. Morganelli for more information.

Mr. Morganelli is Of Counsel of the Firm and Chair of the Tax Practice Group. He advises clients concerning federal and state tax issues and in the development of state and local tax strategies to enhance tax filing positions and satisfy compliance obligations.

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