



# New California unclaimed property voluntary disclosure program

## State enforcement actions raise unclaimed property risks

California regulators and legislators are proposing new regulations and statutes to identify and target companies that are not compliant with unclaimed property reporting requirements.

The additional scrutiny began when the California Legislative Analyst's Office reported that only 2% of companies doing business in the state comply with its unclaimed property laws. The study recommended that the state increase enforcement, including unclaimed property audits, in the years ahead as a source of General Fund revenue.

Although the prospect of increased audit activity is daunting, hope appears to be on the horizon with California AB-2280, which would offer a rare unclaimed property voluntary disclosure agreement (VDA) opportunity, providing organizations the chance to preempt potential audits as well as eliminating penalties and interest.

### The best time to prepare for an audit is before it happens

Noncompliance can result in penalties that can quickly add up. The state of California is the only state that requires mandatory interest be assessed on past due amounts (12% per annum). By mandating such aggressive penalties and interest, California has previously disincentivized companies to come into compliance. By being prepared and proactive, organizations can minimize the impact on staff and the financial burden of unclaimed property requirements.

Regardless of whether your company has a filing history, this new California VDA program would offer a short window of opportunity to come into full compliance through an initial filing or by closing existing process gaps. This would also minimize potential audit exposure and the financial impact of penalties and interest the state has historically assessed. Although the benefits are clear, the VDA likely will be challenging to navigate. A trusted unclaimed property adviser like Crowe can guide you through the complex changes and opportunities available to your organization for mitigating risks.

*"To increase holder compliance, the governor proposes allocating resources to the State Controller's Office (SCO) for more audits of potential holders. ... Effectively increasing holder compliance ... could result in hundreds of millions of dollars in General Fund benefit."*<sup>1</sup>



## Learn more

To learn more about our collaborative approach, please contact:

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<sup>1</sup> <https://lao.ca.gov/Publications/Report/3978>

## What you can do now

The time to act is now. Here are five things you can do to minimize your unclaimed property risk:

- Locate and centralize all your unclaimed property data, information, and records for the past 13 years.
- Conduct an unclaimed property risk assessment.
- Review your unclaimed property compliance and reporting records with the state.
- Familiarize yourself with the proposed VDA program legislation.
- Determine whether entering into a VDA under the proposed program is right for you.

Getting ahead of the legislation before it passes or you're selected for audit can help protect your company. It's time to understand the exposure your organization might have and determine how best to navigate California's changing unclaimed property landscape.

## How Crowe can help

At Crowe, our dedicated and experienced consulting team specializes in unclaimed property. We have deep knowledge and understanding of unclaimed property issues.

We can help your company with your unclaimed property pre-audit preparation, audit defense or VDA, and future compliance. Crowe has successfully settled many audits and VDAs, saving clients millions of dollars in assessments, interest, and penalties.

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