

S 827 IS

111th CONGRESS

1st Session

S. 827

To establish a program to reunite bondholders with matured unredeemed United States savings bonds.

IN THE SENATE OF THE UNITED STATES

April 3 (legislative day, April 2), 2009

Mr. ROCKEFELLER (for himself, Mr. ROBERTS, and Mr. LEAHY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To establish a program to reunite bondholders with matured unredeemed United States savings bonds.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the 'Unclaimed Savings Bond Act of 2009'.

SEC. 2. FINDINGS.

Congress finds the following:

- (1) To maintain public confidence in the United States savings bond program, sound public policy favors diligent and productive efforts to locate the owners of matured unredeemed savings bonds and return to such owners the more than \$16,500,000,000 in associated bond proceeds.
- (2) The Government does not have an organized program to identify the owners of all matured unredeemed savings bonds and return to such owners their bond proceeds.
- (3) All 50 States, the District of Columbia, the Commonwealth of Puerto

Rico, and the United States Virgin Islands operate unclaimed property programs that return to rightful owners over \$1,500,000,000 of property annually, and but for the efforts of State unclaimed property programs, this property would almost certainly remain lost.

(4) Providing assistance to State unclaimed property programs to help return the proceeds of matured savings bonds to their rightful owners would benefit owners of savings bonds, stimulate the economy, and recognize the important, longstanding role of these programs in consumer protection.

(5) For the Government to develop and administer an unclaimed property program like the successful ones that States already have would be costly, duplicative, and administratively burdensome, and would involve the Government in an area that historically has been the province of the States.

(6) Although the proceeds of matured unredeemed savings bonds are held in the United States Treasury, these proceeds are not Federal funds and belong to bond owners, not the Federal Government.

(7) Income taxes on matured savings bonds are due at final maturity. To promote equity among all taxpayers, estimated taxes due should be withheld from savings bond proceeds in Federal Government possession.

SEC. 3. DEMONSTRATION PROGRAM TO RETURN THE PROCEEDS OF MATURED UNREDEEMED U.S. SAVINGS BONDS TO THEIR RIGHTFUL OWNERS.

(a) Establishment of Demonstration Program-

(1) IN GENERAL- Subject to the succeeding provisions of this section, beginning in the first fiscal year beginning after the date of the enactment of this Act, the Secretary shall conduct a demonstration program (referred to in this section as the `demonstration program') under which the Secretary--

(A) attempts to identify and locate the owners of specified unredeemed savings bonds, and

(B) provides assistance to States in the form of bondholder location and assistance grants (as defined in subsection (b)) for the purpose of owner location and notification activities with respect to such bonds.

(2) PARTICIPATION IN DEMONSTRATION PROGRAM- A State electing to

participate in the demonstration program for any fiscal year by receiving a bondholder location and assistance grant shall notify the Secretary of such election on or before September 1 of the fiscal year preceding such fiscal year by filing a grant application with the Secretary, in such manner and accompanied by such information as the Secretary may reasonably require.

(3) DIRECT OUTREACH- Under the demonstration program, the Secretary shall attempt to locate the owners of specified unredeemed savings bonds for which the registered address (as determined under subsection (c)(2)(C)(i)(II)) is located in a State not participating in the demonstration program in the fiscal year in which such bond would otherwise have been referred to such State under subsection (c)(2)(C)(iii), or is not located in any State.

(4) AUTHORIZATION OF APPROPRIATIONS- There is authorized and appropriated from the general fund of the Treasury such sums as are necessary to carry out the purposes of this section. Such sums shall be available until expended.

(5) REPORT TO CONGRESS- The Secretary shall report to Congress not later than October 31 of each fiscal year regarding the program established under this subsection. Such report, which may be combined with other reports of the Secretary to Congress, shall include--

(A) a description of the actions taken under this subsection in the preceding fiscal year,

(B) for each State, the number of specified unredeemed savings bonds referred to such State during the preceding fiscal year,

(C) for each State, the amount and number of such bonds referred to such State in all fiscal years, by year of referral, that were redeemed in the preceding fiscal year,

(D) the average amount of time between the receipt of valid claims for such bonds and the issuance of payment to redeem such bonds, and

(E) the States receiving a bondholder location and assistance grant under the demonstration program during the preceding fiscal years of such program, the total number of such grants awarded during such fiscal years, and the total amount of grant funds distributed under subsection (b)(2) during such fiscal years.

(b) Bondholder Location and Assistance Grants-

(1) IN GENERAL- For purposes of the demonstration program established under subsection (a), a bondholder location and assistance grant is a grant issued by the Secretary to a State for the purpose of locating the owners of specified unredeemed savings bonds referred to the State as provided in subsection (c)(2)(C)(iii) and providing the owners of such bonds with assistance in claiming the proceeds of such bonds.

(2) AWARDING OF GRANTS- Subject to the availability of funds, the Secretary shall make an award in each fiscal year of a bondholder location and assistance grant under the demonstration program established under subsection (a) to any State that has submitted for such fiscal year a grant application under paragraph (2) of such subsection that satisfies all requirements stipulated by the Secretary for such applications. The funds under such grant shall be made available to the State within 30 days of the later of the start of such fiscal year or the appropriation of funds for the demonstration program for such fiscal year.

(3) GRANT AMOUNT- The amount of each bondholder location and assistance grant awarded to a State for any fiscal year shall be an amount equal to the product of--

(A) the number of bonds that will be referred to such State in such fiscal year, as estimated by the Secretary based on the recommendation of the State coordinator under subsection (c)(2)(C)(i), and

(B) \$30,

such amount to be made available to the State until expended.

(4) GRANT ACTIVITIES-

(A) MANDATORY ACTIVITIES- A State receiving a bondholder location and assistance grant in any fiscal year shall conduct the following activities under such grant in such year:

(i) WRITTEN NOTIFICATION EFFORTS- Written notification, mailed to each owner of record of each specified unredeemed savings bond referred to the State with respect to whom an address suitable for the delivery of mail can be determined, of-

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(I) the existence of such bond,

(II) the fact that such bond is no longer earning interest,

and

(III) the fact that the bond may be redeemed through agents of the Department of the Treasury.

(ii) INCLUSION IN STATE DATABASES- In the case of any State that operates a searchable database of unclaimed property, inclusion in such database of information about each specified unredeemed savings bond referred to the State and the owner of such bond.

(B) OPTIONAL ACTIVITIES- In addition to the activities required under subparagraph (A), funds received by a State under a bondholder location and assistance grant may be used for the following activities:

(i) OWNER LOCATION AND NOTIFICATION EFFORTS- In addition to the activities required under subparagraph (A)(i), activities to locate the owners of specified unredeemed savings bonds referred to the State and to notify such owners of such bonds, including matching bond records against State databases or constituent lists maintained by State legislators, researching the location of such owners, and publishing notices in newspapers and magazines of general circulation.

(ii) ASSISTANCE TO BONDHOLDERS- Actual and attempted communications with owners of specified unredeemed savings bonds about methods of bond redemption, requirements for filing claims for missing bonds or other similar claims, the status of claims for bonds, and similar matters.

(C) RESTRICTIONS ON LOCATION AND NOTIFICATION EFFORTS- The Secretary may provide for such restrictions on methods used to locate and notify owners of specified unredeemed savings bonds as the Secretary deems appropriate, including any restrictions on the use of commercial locator services.

(5) PROVISION OF BOND RECORDS- Subject to any other requirements and limitations provided in this section, the State coordinator shall provide to a State receiving a bondholder location and assistance grant such records with respect to the bonds referred to such State under subsection (c)(2)(C)(iii) as are necessary and appropriate to carry out the purposes of such grant.

(c) Examination and Referral of Bonds-

(1) IN GENERAL- Not later than 90 days after the date of the enactment

of this Act, the Secretary shall enter into a cooperative agreement (within the meaning of section 6305 of title 31, United States Code) with the State coordinator for the purpose of--

(A) identifying the owners of specified unredeemed savings bonds, and

(B) referring specified unredeemed savings bonds to the State of residence of the owner, in the case of a State that is participating in the demonstration program by receiving a bondholder location and assistance grant under subsection (b) for the fiscal year in which the referral is made.

(2) AGREEMENT REQUIREMENTS- The cooperative agreement entered into under paragraph (1) shall provide for the following with respect to specified unredeemed savings bonds:

(A) ACCESS TO BOND RECORDS- The Secretary shall provide the State coordinator with full access to records related to such bonds.

(B) COMPILATION OF INFORMATION- The State coordinator shall compile relevant information with respect to such bonds and make the results of such compilation available to the Secretary for the Secretary's review and concurrence.

(C) REFERRAL OF BONDS TO STATES FOR PROCESSING-

(i) RECOMMENDATION OF STATE OF REFERRAL-

(I) The State coordinator shall make a recommendation to the Secretary regarding to which State each bond should be referred for owner location and notification activities.

(II) Such recommendation shall be based on the registered owner's address of record being in the State to which the bond will be recommended to be referred as determined in accordance with Government Auditing Standards for appropriateness and sufficiency.

(ii) FINALITY OF DETERMINATION- The Secretary shall make the final determination regarding the State, if any, to which each bond should be referred for processing after taking into account the recommendation of the State coordinator. Such determination by the Secretary shall be conclusive and shall not be subject to judicial review.

(iii) REFERRAL- Subject to clauses (iv) and (v), in the case of a

State that is participating in the demonstration program by receiving a bondholder location and assistance grant under subsection (b) for the fiscal year in which the referral will be made, the Secretary shall refer to such State each bond that the Secretary has determined should be referred to such State, for activities under such grant.

(iv) LIMITATION BASED ON AVAILABILITY OF FUNDS- The Secretary shall not refer a bond to a State described in clause (iii) unless sufficient funds are available to provide to such State the full grant amount described in subsection (b)(3) for the fiscal year in which the referral will be made.

(v) LIMITATION BASED ON MAXIMUM ALLOWABLE NUMBER OF BONDS-

(I) IN GENERAL- The State coordinator shall not examine under the agreement described in this subsection more than the number of bond records that is reasonably expected to result in the referral to the States of a number of such bonds that is not greater than such maximum allowable number.

(II) MAXIMUM ALLOWABLE NUMBER OF SPECIFIED UNREDEEMED SAVINGS BONDS- For purposes of this clause, the maximum allowable number of specified unredeemed savings bonds is a number of such bonds such that the sum of--

(aa) the product of--

(AA) the number of bonds, and

(BB) \$30, and

(bb) the estimated amounts to be paid by the Secretary to the State coordinator under paragraph (3),

equals \$300,000,000.

(D) SEARCHABLE DATABASE- After the Secretary concurs with the information compiled under subparagraph (B), the State coordinator shall establish a searchable database which includes such information specified by the Secretary with respect to each bond and the State to which each bond is recommended to be referred for processing. The State coordinator shall update the information contained in such database (including information

indicating which bonds have been redeemed) in such manner as the Secretary may provide.

(3) PAYMENT OF FUNDS- The cooperative agreement entered into under this subsection shall specify that the Secretary shall pay to the State coordinator, from the funds appropriated for the demonstration program, an amount equal to the reasonable costs of carrying out the State coordinator's duties under the agreement.

(d) Confidentiality-

(1) RETURN INFORMATION- Except as provided in paragraph (2), for purposes of section 6103 of the Internal Revenue Code of 1986, records provided to the State coordinator or to a State by the Secretary under this section shall be treated as return information as defined in section 6103(b)(2) of such Code.

(2) EXCEPTION- Notwithstanding section 6103(b)(2)(A) of the Internal Revenue Code of 1986, for purposes of this paragraph, the name and address of the holder of a bond and such other information as may be specified by the Secretary shall not be treated as return information when provided to the State coordinator or to a State by the Secretary.

(e) Definitions- For purposes of this section--

(1) REGISTERED ADDRESS- The term `registered address' means the address of the bond owner inscribed on the face of the bond or maintained by the Secretary at the time of final maturity of such bond.

(2) SECRETARY- The term `Secretary' means the Secretary of the Treasury or the Secretary's delegate.

(3) SPECIFIED UNREDEEMED SAVINGS BOND- The term `specified unredeemed savings bond' means each outstanding United States savings bond, except that such bond shall not be treated as a specified unredeemed savings bond until the later of--

(A) the date that is 5 years after the date of the maturity of such bond; or

(B) the date of the enactment of this Act.

(4) STATE- The term `State' includes the District of Columbia and any territory or possession of the United States that maintains a program for the administration of unclaimed property.

(5) STATE COORDINATOR- The term `State coordinator' means the

eligible entity which is determined by the Secretary, after consultation with the States, to be best suited to carry out the activities described in subsection (c). For purposes of the preceding sentence, the term 'eligible entity' means any State or the National Association of Unclaimed Property Administrators.

SEC. 4. WITHHOLDING OF TAX ON UNCLAIMED INTEREST.

(a) In General- The Secretary of the Treasury shall deduct and withhold from the proceeds of any matured outstanding United States savings bond, on the later of the date of maturity of such bond or the date of the enactment of this Act, a tax in an amount equal to the applicable percentage of the amount which, if such bond were redeemed, would constitute interest.

(b) Applicable Percentage- For purposes of this section, the applicable percentage is the 2nd highest rate of individual income tax under section 1(c) of the Internal Revenue Code of 1986.

(c) Treatment in Same Manner as Wage Withholding- Except as otherwise provided by the Secretary of the Treasury, for purposes of sections 3403 and 3404 of the Internal Revenue Code of 1986 and so much of subtitle F of such Code (except section 7205) as relates to chapter 24 of such Code, payments to any person as a result of the redemption of any bond subject to withholding under this subsection shall be treated, at the time of maturation of such bond, as if such payments were wages paid by an employer to an employee.

(d) Inclusion in Income of Bondholder- Effective on the date of maturity of any matured outstanding United States savings bond, the amount which, if such bond were redeemed, would constitute interest shall be treated as gross income of the holder of such bond for purposes of section 61 of the Internal Revenue Code of 1986.

(e) Filing of Amended Returns-

(1) IN GENERAL- Upon redemption of any matured outstanding United States savings bond, the bondholder may file an amended Federal income tax return for the taxable year of the maturity of such bond in order to claim a credit for the amount withheld in such year under subsection (a), provided that such amended return includes the inclusion in the income of the bondholder of the amounts specified in subsection (d).

(2) EXCEPTION TO STATUTE OF LIMITATIONS- An amended return filed by reason of paragraph (1) shall be considered a return for purposes of sections 6501(a) and 6511(a) of the Internal Revenue Code of 1986.

(f) Conforming Amendment- Subsection (b) of section 1324 of title 31, United States Code, is amended--

(1) by striking `and' at the end of paragraph (1);

(2) by striking the period at the end of paragraph (2) and inserting ` ; and'; and

(3) by adding at the end the following new paragraph:

` (3) refunds due from the credit provision of section 4(e)(1) of the Unclaimed Savings Bond Act of 2009.'.

END