

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

AB 2031 (Petrie-Norris)
Version: June 11, 2026
Hearing Date: June 30, 2026
Fiscal: Yes
Urgency: No
AM

SUBJECT

Unclaimed property

DIGEST

This bill provides, under the Unclaimed Property Law (UPL), that a security or interest does not escheat to the state if either: the business association issues to the owner a dividend or other distribution that is, at least once every 3 years, negotiated, redeemed, or automatically deposited in an owner’s account, as specified; or the business association does not issue dividends or other distributions, or issues dividends that are automatically reinvested in the owner’s account, and the holder’s communication to the owner is not returned as undeliverable.

EXECUTIVE SUMMARY

Current law, the Unclaimed Property Law, provides for the “escheat” of unclaimed personal property to the state, which is the reversion of property to the state due to the failure of the owner of the property to inherit or claim the property. When property escheats to the state, the state assumes custody of the property in perpetuity, unless and until the owner claims the property. The UPL provides procedures by which the holder of unclaimed property – including specified categories of intangible property – must transfer unclaimed property to the Controller, and for a rightful owner to apply to receive their property (or the monetary value thereof) after it has been transferred to the state. When the Controller takes custody of unclaimed securities listed on an established stock exchange, the Controller is required to sell the securities.

Under the UPL, dividends, profits, distributions, interests, payment on principal, or other sums held or owing by a business association for or to its shareholders escheat to the state when an owner has not claimed it or corresponded in writing with the business association concerning it within three years from payment or delivery. There is an ambiguity under existing law for what constitutes not corresponding in writing. The business associations had generally followed a returned by post office standard (RPO),

meaning if they sent mail to the address and file and it was not returned to the business association that meant they had made contact, and property did not need to escheat. The Controller's Office argues that it should be an inactivity standard. This bill seeks to address this ambiguity by enacting the RPO standard.

The bill is sponsored by the Investment Company Institute and supported by the California Bankers Association and the Securities Industry and Financial Markets Association. No timely opposition was received by the Committee.

PROPOSED CHANGES TO THE LAW

- 1) Establishes the UPL, which establishes when and how intangible property escheats to the state for the state to take custody of, but not own, unclaimed property. (Code Civ. Proc. §§ 1500 et seq.)
- 2) Provides that property received by the state pursuant to the UPL shall not permanently escheat to the state, and that it is the intent of the Legislature that property owners be reunited with their property. (Code Civ. Proc., § 1501.5.)
- 3) Defines the following relevant terms:
 - a) "Unclaimed property," unless specifically qualified, means all property (1) which is unclaimed, abandoned, escheated, permanently escheated, or distributed to the state, or (2) which, under any provision of law, will become unclaimed, abandoned, escheated, permanently escheated, or distributed to the state, or (3) to the possession of which the state or will become entitled, if not claimed by the person or persons entitled thereto within the time allowed by law, whether or not there has been a judicial determination that such property is unclaimed, abandoned, escheated, permanently escheated, or distributed to the state. (Code Civ. Proc., § 1300(b).)
 - b) "Escheat," unless specifically qualified, means the vesting in the state of title to property the whereabouts of whose owner is unknown or whose owner is unknown or which a known owner has refused to accept, whether by judicial determination or by operation of law, subject to the right of claimants to appear and claim the escheated property or any portion thereof. (Code Civ. Proc., § 1300(c).)
 - c) "Apparent owner" means the person who appears from the records of the holder to be entitled to property held by the holder. (Code Civ. Proc., § 1501(a).)
 - d) "Business organization" means any private corporation, joint stock company, business trust, partnership, or any association for business purposes of two or more individuals, whether or not for profit, including, but not by way of limitation, a banking organization, financial organization, life insurance corporation, and utility. (Code Civ. Proc., § 1501(c).)

- e) "Holder" means any person in possession of property subject to the UPL belonging to another, or who is a trustee in case of a trust, or is indebted to another on an obligation subject to the UPL. (Code Civ. Proc., § 1501(e).)
 - f) "Owner" means a depositor in case of a deposit, a beneficiary in case of a trust, or creditor, claimant, or payee in case of any other choses in action, or any person having a legal or equitable interest in property subject to the UPL, or their legal representative. (Code Civ. Proc., § 1501(g).)
 - g) "Person" means any individual, business association, government or governmental subdivision or agency, two or more persons having a joint or common interest, or any other legal or commercial entity, whether that person is acting in their own right or in a representative fiduciary capacity. (Code Civ. Proc., § 1501(h).)
- 4) Provides that all tangible personal property and, subject to 4)-5), all intangible personal property, except as otherwise specified, that is held or owing in the ordinary course of the holder's business and has remained unclaimed by the owner for more than three years after it became payable or distributable escheats to the state.
- a) Except where a statute establishes a different notice requirement for specific types of property, notice must be given as provided when the property is valued at \$50 or more. The holder shall make reasonable efforts to notify the owner by mail or, if the owner has consented to electronic delivery, electronically; the notice shall be mailed not fewer than 6 and not more than 12 months before the time when the property becomes reportable to the Controller as unclaimed.
 - b) The notice must be accompanied by a form which the owner can return to the holder to indicate that they are active; if the owner signs and returns the form, the escheat period recommences.
 - c) A holder can provide a telephone number or electronic means for the owner to contact them in lieu of the form. (Code Civ. Proc., § 1520.)
- 5) Provides that, unless otherwise provided, intangible personal property escheats to this state under 3) and 5) when the following conditions are met:
- a) The last known address, as shown on the records of the holder, of the apparent owner is in this state.
 - b) No address of the apparent owner appears on the records of the holder and (1) the last known address of the apparent owner is in the state; (2) the holder is domiciled in this state and has not previously paid the property to the state of the last known address of the apparent owner; or (3) the holder is a government or governmental subdivision of the state and has not previously paid the property to the state of the last known address of the apparent owner.
 - c) The last known address, as shown on the records of the holder, of the apparent owner is in a state that does not provide by law for the escheat of

- such property and the holder is (1) domiciled in this state or (2) a government or governmental subdivision or agency of this state.
- d) The last known address, as shown on the records of the holder, of the apparent owner is in a foreign nation and the holder is (1) domiciled in this state or (2) a government or governmental subdivision or agency of this state. (Code Civ. Proc., § 1510.)
- 6) Establishes the specific conditions under which intangible or personal property held by a business association escheats to the state; intangible property held by a business association generally escheats after three years of specified inactivity by the owner, except as specified. (Code Civ. Proc., §§ 1513-1521.)
- 7) Provides that any person, excluding another state, who claims to have been the owner of property paid or delivered to the Controller under the UPL may file a claim to the property or to the net proceeds from its sale. There is no time limit in which an owner may make a claim.
- a) "Owner," for purposes of 9), means the person who had a legal right to the property before its escheat, their heirs or personal representative, their guardian or conservator, or a public administrator acting pursuant to the Probate Code; and also includes specified dissolved organizations.
- b) The Controller shall consider each claim within 180 days after it is filed to determine if the claimant is the owner.
- c) If the Controller denies the claim, notice must be given in writing.
- d) If the Controller fails to make a decision on the claim within 180 days of filing, or denies the claim in whole or in part, the claimant may file an action for review in the superior court. (Code Civ. Proc., §§ 1540, 1541.)
- 8) Provides that, when the Controller takes custody of unclaimed securities listed on an established stock exchange, the Controller shall sell the securities at the prevailing prices on that exchange; other securities may be sold over the counter at prevailing prices or by any other method that the Controller may determine to be advisable. A person making a valid claim for the securities shall be entitled to receive the securities as long as they remain in the custody of the Controller; if they have been sold, the person shall be entitled to receive the net proceeds received by the Controller in the sale. (Code Civ. Proc., § 1563.)
- 9) Provides that any dividend, profit, distribution, interest, payment on principal, or other sum held or owing by a business association for or to its shareholder, certificate holder, member, bondholder, or other security holder, or a participating patron of a cooperative, who has not claimed it, or corresponded in writing with the business association concerning it, within three years after the date prescribed for payment or delivery, escheats to this state. (Code Civ. Proc. § 1516(a).)
- a) Any intangible interest in a business association, as evidenced by the stock records or membership records of the association, escheats to this state if: (i)

the interest in the association is owned by a person who for more than three years has neither claimed a dividend or other sum nor corresponded in writing with the association or otherwise indicated an interest as evidenced by a memorandum or other record on file with the association, and (ii) the association does not know the location of the owner at the end of the three-year period. With respect to the interest, the business association shall be deemed the holder. (*Id.* at subd. (b).)

This bill:

- 1) Provides that any security or other intangible interest in a business association, as evidenced by the stock records or membership records of the holder, escheats to this state if both of the following conditions are satisfied:
 - a) The security or interest is owned by the person who for more than three years, has neither claimed a dividend or other sum nor corresponded in writing with the holder or otherwise indicated an interest in the security or interest as evidenced by a memorandum or other record on file with the holder; and
 - b) the holder does not know the location of the owner.
- 2) Provides that the holder shall be deemed to know the location of the owner and the security or other intangible interest in a business association shall not escheat if either of the following conditions is satisfied:
 - a) the business association or its agent issues dividends or other distributions to the owner and a dividend or other distribution is, at least once every three years, negotiated, redeemed, or automatically deposited in an owner's account maintained by a third-party bank, financial institution, or other business association separate and apart from the business association that issued the dividend or other distribution; or
 - b) the business association does not issue dividends or other distributions, or the business association issues dividends or other distributions that are automatically reinvested in the owner's account, and the holder communicates with the owner via first class mail at least annually and the most recent communication is not returned as undeliverable.
- 3) States that if the holder's most recent communication in 2)b) is returned as undeliverable, the location of the owner shall be deemed unknown and the security or other intangible interest shall escheat three years after the later of the following:
 - a) the date of the owner's most recent indication of interest in the security or interest; or
 - b) the date that the communication sent by the holder or the holder's agent to the owner is returned as undeliverable, unless the owner responds to a required notice or otherwise subsequently indicates an interest in the security or interest prior to the date the security or interest is required to

be reported under the UPL.

- 4) Provides that Section 1516 of the Code of Civil Procedure, including the changes made above, apply to all securities or other intangible interests in business associations, regardless of whether they are held by the owner directly, through a brokerage account, or otherwise. Provides that this section and the changes made above do not apply to digital financial assets, as defined.
- 5) Makes various corresponding changes.

COMMENTS

1. Stated need for the bill

The author writes:

California's unclaimed property law for securities is ambiguous in certain areas, which creates significant uncertainty for the state, investors, securities issuers and other parties regarding when securities are required to be escheated. This is a very serious issue because the state is required to liquidate securities after they have been escheated. As a result, any future market appreciation, dividends, or compounding growth are lost forever, permanently depriving investors of future income. The financial impact can be devastating.

AB 2031 would clarify certain provisions of California's unclaimed property laws where ambiguity has created uncertainty regarding when a securities account should be considered truly abandoned to provide certainty for California investors and ensure protection against premature escheatment. Under the bill, where dividends are paid by check to the owner, the holder is presumed to know the owner's location only if the dividends are cashed at least once every three years (inactivity standard). Where dividends are automatically reinvested in the account, the bill provides that the holder is presumed to know the owner's location if communications is sent regularly to the owner and is not returned as undeliverable. Lastly, the bill provides, where dividends are automatically paid to a third-party bank account, the deposit of those dividends (rather than a bounce-back by the bank) is treated as contact by the owner, which would prevent escheatment.

2. Background on the UPL

The UPL provides for the "escheat" of unclaimed personal property to the state, which is the reversion of property to the state due to the failure of the owner of the property to inherit or claim the property.¹ When property escheats to the state, the state assumes

¹ Code Civ. Proc., pt. 3, tit. 10, ch. 7, §§ 1500 et seq.

custody of the property in perpetuity, unless and until the owner claims the property.² “The UPL is not a permanent or ‘true’ escheat statute” because it does not transfer legal ownership of the property to the state.³

There are three significant players under the UPL: the owner, the holder, and the state. The “owner” is the person to whom the property actually belongs.⁴ The “holder” is the person who has possession of the property, such as a bank holding funds or a brokerage account holding securities.⁵ Holders of unclaimed property have no interest in the unclaimed property; they are simply trustees of the property while the property is in their possession.⁶ The third party is the state, which assumes custody of unclaimed property from the holder. The state’s custody has two purposes: by assuming custody of unclaimed property, the state can protect the owner’s interests; and, less altruistically, custody of unclaimed property allows the state to benefit from the use of the unclaimed property until the rightful owner comes along.⁷

The UPL establishes procedures to be followed when property goes unclaimed, generally for a period of three years, and custody reverts to the state.⁸ The holder must file an annual report on unclaimed property and turn the property over to the Controller at the time the report is filed.⁹ Assuming the Controller does not decline to take custody of the property,¹⁰ the holder then must transfer the property to the Controller within a specified time.¹¹ The Controller then holds the property or sells it and holds the proceeds in perpetuity, unless and until the rightful owner makes a claim for its return.¹² The Controller retains the interest or other income on property or moneys that accrue after the state takes custody of the property.¹³

3. Securities and the UPL

a. California law

When the Controller takes custody of unclaimed securities listed on an established stock exchange, the Controller is required to sell the securities at the prevailing prices on that exchange and other securities may be sold over the counter at prevailing prices or by

² *Id.*, § 1540.

³ *Azure Limited v. I-Flow Corp.* (2009) 46 Cal.4th 1323, 1328 (some internal quotation marks removed); Civ. Code, § 1501.5.

⁴ *Id.*, § 1501(g).

⁵ *Id.*, § 1501(e).

⁶ *Bank of America v. Cory* (1985) 164 Cal.App.3d 66, 74

⁷ *Azure Limited, supra*, at p. 1328.

⁸ Code Civ. Proc., § 1520.

⁹ *Id.*, § 1530.

¹⁰ *Id.*, § 1533.

¹¹ *Id.*, § 1532.

¹² *Id.*, §§ 1540, 1563.

¹³ *Id.*, § 1562.

any other method that the Controller may determine to be advisable.¹⁴ If an owner makes a valid claim for the securities, they are entitled to receive the securities as long as they remain in the custody of the Controller; however, if they have been sold, the person is entitled to receive the net proceeds received by the Controller in the sale.¹⁵ (Code Civ. Proc., § 1563.)

Under the UPL, dividends, profits, distributions, interests, payment on principal, or other sums held or owing by a business association for or to its shareholders escheat to the state when an owner has not claimed it or corresponded in writing with the business association concerning it within three years from payment or delivery. There is an ambiguity under existing law for what constitutes not corresponding in writing. The business associations (i.e. holder under the UPL) had generally followed a returned by post office standard (RPO), meaning if they sent mail to the address on file and it was not returned that meant they had made contact, and the securities did not escheat. The Controller's Office has taken the stance that the standard should be more akin to an inactivity standard.

b. Federal concerns over states' unclaimed property laws

Congressman Licardo introduced H.R. 8338, the SAFER Act of 2026, to address issues in various state's unclaimed property laws. H.R. 8338 would require a confirmation of death before any escheatment or no record of contact with a representative of the person or entity for at least 5 years. Senator Elizabeth Warren, Ranking Member of the Senate Banking, Housing, and Urban Affairs Committee, seeking information about states using an "inactivity standard" writes:

Trends in state escheatment laws may be increasing the likelihood that property is designated as unclaimed and turned over to state governments [...] [M]any states have started adopting a more aggressive 'inactivity' standard... This is exacerbated by the fact that states have also moved to shorten their dormancy period to three years from five. Shortening dormancy periods and starting the clock at the first sign of inactivity in many ways undermines the most common and often prudent strategy for investing, which is to 'buy and hold.' Many workers investing for retirement are not constantly checking their accounts, as expected with an investment management professional."¹⁶

The main concern with an inactivity standard is that often times investors use a "buy and hold" strategy where shares are not regularly traded on an account and, therefore,

¹⁴ Civ. Code § 1563.

¹⁵ *Ibid.*

¹⁶ U.S. Comm. on Banking, Housing and Urban Affairs, *Warren Seeks Data on States Seizing Americans' Unclaimed Assets*, (Apr. 16, 2026), available at

<https://www.banking.senate.gov/newsroom/minority/warren-seeks-data-on-states-seizing-americans-unclaimed-assets>.

activity may be limited. As noted above, when securities escheat to the state the Controller is required to liquidate them, meaning the owner can only recoup the asset at the price it was liquidated at and cannot recover the actual security. This can place the owner at risk of losing out on market gains that occurred after liquidation. Additionally, the liquidation of the assets can trigger unexpected tax liability for the owner. These issues combined can detrimentally affect retirees and others in their retirement and affect estate planning.

c. Settlement between Investment Company Institute and the Controller

The Investment Company Institute (ICI), the sponsor of the bill, entered a settlement agreement with the Controller over this ambiguity. ICI instituted an action in Sacramento Superior Court seeking a declaration that a memo drafted by the Controller's office dated January 8, 2020, provided an interpretation of Section 1516 that was erroneous under existing state law. Committee staff did not see a copy of the memo, but the author and ICI told Committee staff that the memo argued existing law required some form of inactivity standard instead of an RPO standard. The parties entered a settlement where ICI dismissed the suit, the Controller's Office rescinded the memo, and the parties agreed to engage in good faith communication regarding the interpretation of that section until the end of the 2024-25 Legislative Session. ICI has indicated to the Committee that they have been in discussions with the Controller's office all year. However, the author and ICI believe that legislative guidance on the issue is needed to address this ambiguity under existing law to protect owners of securities from irreparable harm.

4. This bill seeks to adopt an RPO standard under the UPL for securities

In light of the above, this bill seeks to adopt an RPO standard under the UPL for securities. The Revised Uniform Unclaimed Property Act of 2016 (RUUPA) also provides for an RPO standard to trigger dormancy under an unclaimed property statute but also includes email communication prior to sending U.S. mail. This standard seems to provide more protection for owners of securities to ensure that their property is actually unclaimed, especially in light of the unique nature of securities, how investors use them, and the fact that they are liquidated when they escheat to the state.

5. Statements in support

The supporters write jointly that:

Many investors maintain long-term investment strategies and may not frequently access, trade, or otherwise interact with their accounts. Investors saving for retirement, education, or other long-term financial goals often intentionally adopt a buy-and-hold approach and may establish automatic dividend reinvestment or distribution arrangements that require little ongoing account activity.

The absence of frequent account activity should not be confused with abandonment. Investors who continue to receive account statements, tax documents, prospectuses, corporate communications, and other account-related correspondence remain aware of their investments and have not lost contact with the institutions holding their assets. [...]

The consequences of premature escheatment can be significant. Once securities are transferred to the state, they are typically liquidated. Investors may not discover the transfer until years later, after the value of the securities has appreciated substantially.

In such circumstances, owners generally receive only the proceeds generated from the liquidation of the securities and may lose the opportunity to benefit from subsequent market appreciation, dividends, interest, and long-term compounding. By contrast, there is little risk associated with maintaining securities in accounts where the holder continues to know the owner's location. Federal securities laws and regulations require financial institutions to safeguard customer assets and maintain records relating to those accounts. When there is uncertainty about whether an investor has truly lost contact with a financial institution, policymakers should exercise caution before authorizing the transfer and liquidation of investment assets.

SUPPORT

Investment Company Institute (sponsor)
California Bankers Association
Securities Industry and Financial Markets Association

OPPOSITION

None received

RELATED LEGISLATION

Pending Legislation:

SB 1405 (Smallwood-Cuevas, 2026) provides that, to the extent a court determines that the UPL's provisions relating to the escheat of employee plan distributions are inoperative, preempted, or otherwise limited, in whole or in part, by the federal Employee Retirement Income Security Act of 1974, or any other federal law, those provisions will remain operative in the manner and to the extent allowed pursuant to any federal statute or regulations adopted by the United States Department of Labor; and permits the Controller to enter into a multistate collaborative agreement or other contract for the purpose of ensuring that any property delivered to this state that may

be subject to the provisions regarding employee benefit plan distributions complies with federal law. SB 1405 is pending in the Assembly Appropriations Committee.

AB 2335 (Valencia, 2026) requires the Controller, when digital assets are transferred to the Controller under the UPL, to hold the assets as high-quality digital assets, as specified. AB 2335 is pending before this Committee on the same day as this bill.

AB 1447 (Gipson, 2025) amends the Unclaimed Property Law (UPL) to clarify when the State Controller must provide notice by mail to an apparent owner that the apparent owner appears to be entitled to property in excess of \$50 that escheated to the Controller under the UPL. AB 1447 is pending on the Senate Floor.

AB 1052 (Valencia, 2025) amends the UPL to provide when and how digital financial assets, as defined, escheat to the state, using a procedure different than that established in SB 822 (Becker, Ch. 660, Stats. 2025). AB 1052 died in the Senate Appropriations Committee.

Prior Legislation:

SB 822 (Becker, Ch. 660, Stats. 2025) amended the UPL to provide when and how digital financial assets, as defined, escheat to the state.

AB 2280 (Reyes, Ch. 282, Stats. 2022) authorized the Controller to establish the California Voluntary Compliance Program, for the voluntary compliance of holders for the purpose of resolving unclaimed property that is due and owing to the state under the UPL.

SB 301 (Min, Ch. 103, Stats. 2021) lowered the amount under the UPL at which point a transfer of unclaimed cash must be paid to the Controller via electronic transfer, from \$20,000 to \$2,000.

PRIOR VOTES

The prior votes were based on the bill before it was gut and amended on June 11, 2026, and are therefore irrelevant.
