

SUBJECT: Defining when period begins for presumed abandonment of mutual funds

COMMITTEE: Investments and Financial Services — favorable, without amendment

VOTE: 6 ayes — Parker, Stephenson, Burrows, Dean, Holland, Longoria

0 nays

1 absent — E. Johnson

WITNESSES: For — None

Against — None

On — Bryant Clayton, Comptroller of Public Accounts

BACKGROUND: Under Property Code, sec. 72.101, personal property is presumed abandoned if, for longer than three years, the owner's existence and location is unknown and a claim to the property or act of ownership has not been made.

DIGEST: HB 2964 would define the events that begin the three-year period for presumption of abandonment for mutual funds. The three-year period would start on the later of either:

- the last investment in the fund made by or on behalf of the owner;
or
- the last payment to the owner or reinvestment made by or on behalf of the owner of a dividend from the fund.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2017.

SUPPORTERS SAY: HB 2964 would protect people who cannot be contacted by their mutual fund holders and whose dividends are automatically reinvested. Currently,

a three-year period for presumed abandonment is triggered if someone moves or cannot be reached by the fund holder and has not withdrawn dividends. This can happen if an owner for some reason is unreachable and unaware that automatic reinvestment alone is insufficient to prevent a presumption of abandonment.

The bill would ensure mutual funds that were never truly abandoned were not mistakenly remitted to the general revenue fund. This would protect owners from having to go through the claims process to recover their property.

**OPPONENTS
SAY:**

HB 2964 could lead to mutual funds that continued in perpetuity. If dividends were automatically reinvested, each reinvestment would restart the three-year period. If owners had lost track of their funds or died, actually abandoned mutual funds might not be identified, and these funds would not be remitted to the general revenue fund or passed on to heirs. According to the fiscal note, the bill also could have undetermined effects on the general revenue fund.

NOTES:

According to the Legislative Budget Board's fiscal note, the bill would result in an undermined loss to the general revenue fund, depending on the value of the mutual funds whose dormancy would be deferred due to automatic reinvestment.