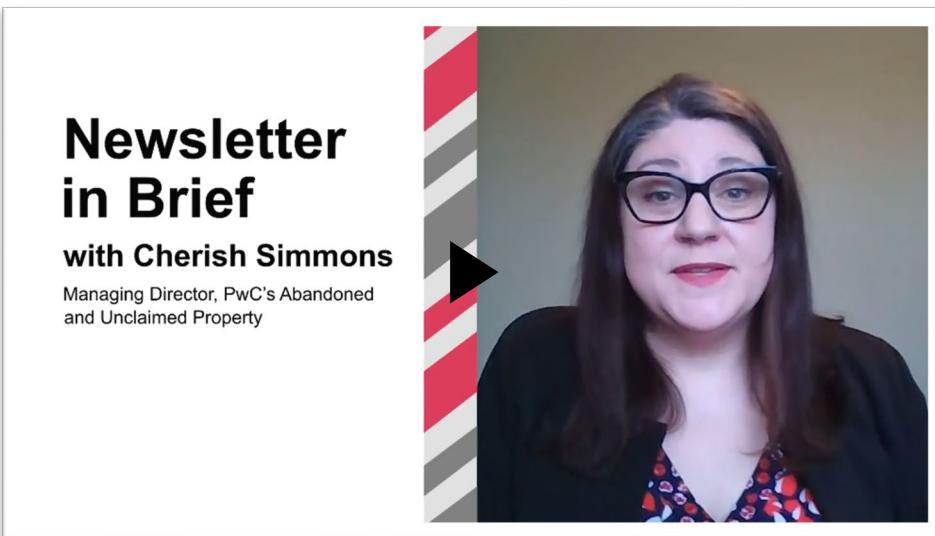


# Abandoned and Unclaimed Property Quarterly

Issue 28 / March 2025

## Tracking changes in abandoned and unclaimed property



Dear Clients and Alumni,

This edition of our newsletter addresses upcoming changes to the standard coding format of unclaimed property data filed to various jurisdictions. We also cover multistate trends and legislation to assist companies in complying with state requirements.

We hope you enjoy this edition of our newsletter, and we look forward to hearing from you. Your continued feedback is invaluable to us.

Regards,

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## The Evolution of NAUPA III: What unclaimed property holders need to know

### Introduction

Unclaimed property refers to financial assets that have remained inactive for a legally defined time period. To comply with state unclaimed property reporting obligations, businesses must review their records annually to identify property that has reached the dormancy period, which varies depending on the type of property and the owner's last known address.

Unclaimed property that has been identified as dormant and reportable by organizations must be filed to the appropriate jurisdiction in a specific format, currently referred to as NAUPA II. Changes to this standard format are currently in progress and companies should monitor developments to analyze whether their annual filings are in compliance with state requirements.

### Background

The National Association of Unclaimed Property Administrators (NAUPA) is the leading authority on unclaimed property management that collaborates with unclaimed property programs across all 50 US states, the District of Columbia, Puerto Rico, and various international jurisdictions to reunite unclaimed assets with rightful owners.

NAUPA establishes policies and procedures for companies (holders) to transfer unclaimed property to state jurisdictions. Transfers typically occur electronically using the NAUPA II standard format, which has been in use since 2013. However, NAUPA is currently working to introduce an updated format (NAUPA III).

### NAUPA III standard

The NAUPA III format aims to simplify and standardize the escheatment process across various jurisdictions to improve efficiency and reduce administrative burdens for holders. NAUPA III utilizes the Extensible Markup Language (XML) format and particular schema to standardize the coding of data being transmitted with the report.

While the exact release date is yet to be confirmed, further details are expected in 2025. Once NAUPA III is released, states can elect which unclaimed property reporting elements will be required for holders to use.

### Key modifications in NAUPA III

The draft NAUPA III document that has been released for feedback introduces several modifications to enhance electronic reporting uniformity across states. These changes include:

- Three-digit property type coding system
- Entity-level reporting enhancements for specific property items
- Formatting for new reportable assets.

**Be aware:** Companies need to begin evaluating their unclaimed property reporting software to determine whether it can utilize the new elements or inputs in the NAUPA III format.

### Three-digit property type coding system

Currently, NAUPA II utilizes a two-digit property type coding system (e.g., payroll property is coded as "MS01"). To provide greater flexibility for adding new property types in the future, NAUPA III proposes shifting to a three-digit format (e.g., payroll property may be coded as "MS001").

**Observation:** Companies' reporting software must be able to accommodate this format once released. Holders also may need to adjust existing data to maintain accurate dormancy calculations.

### Entity-level reporting enhancements for specific property items

Most states allow companies to file a single report that includes all entities within its structure and all associated unclaimed property for those entities. However, these reports do not always clearly indicate which legal entity is associated with each property item included in the report. NAUPA III potentially would allow for a new data column to identify the legal entity associated with each property item reported.

Unclaimed property holders may benefit from the amended format by:

- Determining if all relevant legal entities are represented on the report
- Facilitating accurate property sourcing to each state based on the legal entity that issued the property
- Identifying the proper state of incorporation to align with US Supreme Court rulings when property does not have a last known address associated with the owner
- Alleviating difficulty when companies filing a combined report include multiple states of incorporation for entities included
- Simplifying audits and internal reviews by providing a clear link between reported items and the respective legal entities.

**Observation:** Businesses that do not currently capture data on an entity-level basis should assess their data collection processes and software to determine whether updates are needed.

### Formatting for new reportable assets

As industries evolve, the types of property subject to unclaimed property laws continually change. By using additional data columns and expanded property type codes, the NAUPA III format may provide improved reporting capability.

One of the most notable additions to reportable assets under the draft NAUPA III document includes cryptocurrency. The draft standard provides a structured format for companies to report unclaimed cryptocurrency holdings in states that require it.

**Observation:** Companies with unclaimed cryptocurrency holdings should closely monitor the NAUPA III finalization to comply with states that require reporting of this unclaimed property type.

### Next steps for holders

The unclaimed property community has been tasked with providing feedback on the draft NAUPA III document. Once revised and released, businesses should take proactive action steps to prepare:

1. Confirm whether current software supports XML-based reporting and the expanded coding system.
2. Contact third-party reporting providers to understand their readiness for NAUPA III.
3. Determine if entity-level tracking is in place and make necessary adjustments to data gathering processes.
4. Monitor NAUPA III's final release and state adoption timelines.

**Observation:** NAUPA III represents a significant shift in unclaimed property reporting, introducing enhancements to property classification, legal entity identification, and the inclusion of cryptocurrency. While the final version is still pending, early preparation can create a smooth transition to comply with state reporting obligations.

## Multistate updates

### Montana bill to allow the automatic return of property to owners passes House

Montana [H.B. 88](#), which passed the House on January 17, 2025, would allow the unclaimed property administrator to automatically return property to owners if the value is \$1,000 or less. The bill would be effective upon enactment.

### Montana bill to revise the Uniform Unclaimed Property Act passes House

Montana [H.B. 164](#), which passed the House on January 29, 2025, would define “payroll card” and provide a dormancy period of five years, clarify when property is presumed abandoned, allow electronic delivery of due diligence communications, and specify language to be included in notifications. The bill would be effective October 1, 2025.

### Virginia bill to allow the return of property without filing a claim sent to Governor

Virginia [S.B. 996](#), which passed the House on February 12, 2025, and passed the Senate on January 31, 2025, would allow the state treasurer to make unclaimed property payments to owners without receiving a claim if the amount to be paid does not exceed \$5,000. The bill was sent to Governor Glenn Youngkin (R) on February 20, 2025. The bill would be effective upon enactment.

### Washington proposal to amend Revised Uniform Unclaimed Property Act advances

Washington [S.B. 5316](#), which passed the Senate’s Ways and Means Committee on February 6, 2025, would update the Revised Uniform Unclaimed Property Act, by:

- clarifying that “virtual currency” means any type of digital unit and includes cryptocurrency and that it must be liquidated within 30 days before filing a report
- clarifying when a stored value card is presumed abandoned (three years after card is issued or additional funds deposited into it)
- authorizing the Department of Revenue to provide a refund for overpaid property, interest, and penalties if within six years after the end of the calendar year in which the payment or delivery occurred.

These proposed amendments would be effective January 1, 2026. The bill would have an effective date retroactive to January 1, 2023, for the following amendments:

- decreasing the value of property that must contain certain data items on unclaimed property reports from \$50 to \$5 (for property other than a traveler’s check, money order, or similar instrument)
- allowing reporting in the aggregate for items valued under \$5 each (previously \$50 each)
- decreasing the value of property subject to due diligence requirements from \$75 to \$50.

## Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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