



This Week in State Tax (TWIST)

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California: Broker/Dealers Impacted by Recent Unclaimed Property Guidance

The California State Controller recently issued a letter to a third-party audit firm describing its interpretation of the state's unclaimed property laws in relation to unclaimed brokerage accounts. Specifically, the Controller stated that it believes the escheatment of unclaimed brokerage accounts should be covered by Cal. Civ. Pro. Code § 1520 governing "miscellaneous intangibles" rather than Cal. Civ. Pro. Code § 1516, which addresses stock and other intangible interests in a business association. In the Controller's view, both the plain language and legislative history of the unclaimed property law indicates that the stock provision only applies to property held on behalf of its owner by the issuing entity, not by a third-party broker.

This distinction is important because, while the two provisions each trigger after three years of inactivity, Cal. Civ. Pro. Code § 1516 includes an additional requirement that the location of the owner be unknown to the holder at the end of the three-year period before escheatment occurs. This requirement is not in Cal. Civ. Pro. Code § 1520, which means that even if a firm believes it knows the location of an account owner, the brokerage account may be escheatable if inactive by the owner for more than three years. As such, applying Cal. Civ. Pro. Code § 1520, the miscellaneous intangibles statute, to a brokerage account may significantly increase the likelihood of a brokerage account being escheated under state unclaimed property laws. Broker-dealers should take steps to ensure that accounts remain active and consider the impacts of these new provisions. Please contact [William King](#), [Karen Anderson](#) or [Marion Acord](#) with questions.



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