



## Unclaimed U.S. Savings Bonds

By Heather Morton

U.S. savings bonds have been sold continuously since 1935 as a savings device with fixed interest payments and redemption values. Savings bonds are registered securities, payable only to the registered owner, and generally are not transferable. Given the 6 billion savings bonds worth more than \$660 billion sold over 80 years, it is estimated that the U.S. Department of the Treasury holds more than \$17 billion worth of unredeemed savings bonds that have matured and no longer are earning interest. Unlike the states, Treasury does not have a streamlined process for returning savings bonds that have become abandoned or unclaimed property to their owners.

### Did You Know?

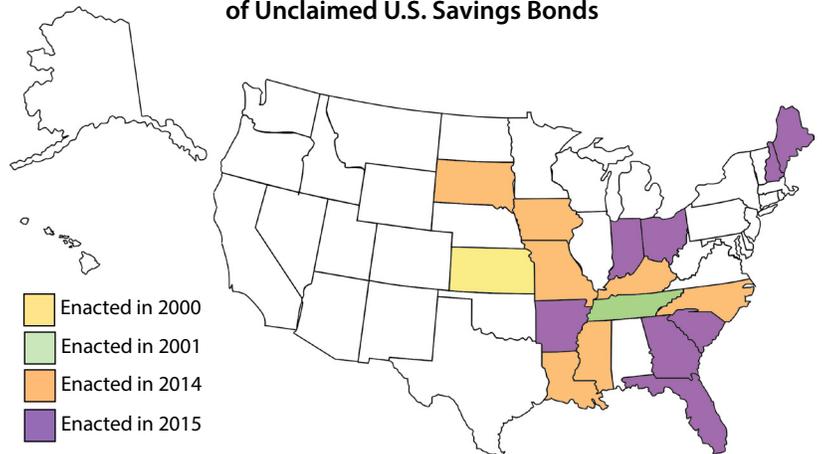
- The U.S. Treasury holds an estimated \$17 billion in unredeemed mature savings bonds.
- Seventeen states have enacted legislation to create a process for obtaining the titles to unclaimed U.S. savings bonds.
- Kansas has redeemed more than \$860,000 in unclaimed savings bonds in its possession, while Kentucky redeemed about \$589,000.

Since the 1950s, states have sought to recover the proceeds from matured but unredeemed savings bonds through the states' unclaimed property statutes. In 1952, the U.S. Treasury issued Bulletin 111, explaining that it would pay the proceeds from savings bonds to a state if the state obtained title to the bonds through its escheatment process—

the process of turning over unclaimed or abandoned property to a state agency. Treasury would not pay, however, if a state merely obtained a right to take custody of the proceeds in a person's name, rather than the title in the state's name. Treasury has consistently argued since 1952 that a state acting as a custodian of the bond until the bondholder redeems it is not sufficient authority to obtain the proceeds.

The Kansas Legislature amended its unclaimed property statute in 2000 to allow the state to take title to unclaimed U.S. savings bonds. Under the amended Disposition of Unclaimed Property Act, the bonds go to the state three years after they become unclaimed property. Within 180 days after the three-year period, and if no claim has been filed by the owner, the unclaimed property administrator can begin a civil action to determine that such bonds shall escheat—and title be awarded—to the state.

Laws that Facilitate State Ownership of Unclaimed U.S. Savings Bonds



Source: NCSL, 2016

Kansas initiated the escheatment procedure in 2013 for matured, unredeemed U.S. savings bonds, some of which were in the physical possession of the state treasurer and others that had been deemed lost, stolen, destroyed or otherwise unavailable. The state estimated the value of the bonds in its possession to be \$877,000 and the value of the bonds not in its possession to be \$151.8 million. After the state court entered the judgment of escheatment for all the bonds, Kansas filed a claim with the U.S. Treasury to redeem them. In October 2013, Treasury approved the redemption for more than \$860,000 for the bonds in the state's possession, but denied the claim for the \$151.8 million because those bonds were not in the state's possession. Citing its historical precedent, Treasury allows state escheatment claims only when the state physically possesses the savings bonds.

In December 2013, Kansas filed a lawsuit against the federal government in the U.S. Court of Federal Claims, seeking damages in an amount equal to the matured value, plus applicable interest, of the absent bonds. The federal government filed a motion to dismiss the Kansas complaint. In August 2015, the [motion was denied](#) and the case continues.

## Federal Action

In the midst of the litigation, the [U.S. Treasury issued regulations](#) that it requires states seeking to redeem bonds to possess the bonds for which they claim title, and to produce evidence that the bonds have been abandoned by all those entitled to payment. The regulations clarify that Treasury will not recognize escheat judgments that convey custody, but not title, to a state. Further, escheat judgments that vest a state with titles to savings bonds that it does not possess will not be recognized.

## State Action

Following the Kansas Legislature's statutory changes and the state's court action, several states enacted legislation to establish procedures to obtain titles to unclaimed U.S. savings bonds. Tennessee enacted [S.B. 1241](#) in 2001. Then, in 2014, seven states—Iowa, [Kentucky](#), [Louisiana](#), [Mississippi](#), Missouri, [North Carolina](#) and [South Dakota](#)—enacted legislation. In 2015, 11 states introduced legislation and eight of those states—[Arkansas](#), [Florida](#), [Georgia](#), [Indiana](#), [Maine](#), [New Hampshire](#), [Ohio](#) and [South Carolina](#)—enacted laws.

The statutes in Arkansas, Indiana, Maine, New Hampshire and Ohio provide that the expense incurred by the state to secure full title and ownership of the U.S. savings bonds can be deducted from its value when a resident makes a claim for the proceeds. The South Carolina law specifically prohibits assessing the costs of prior court action regarding a person's savings bond or bonds against that person.

[Nebraska](#), Wisconsin and [West Virginia](#) have introduced legislation so far in 2016. As a result of Kansas' statutory change, Kentucky is seeking to collect approximately \$589,000 in unclaimed savings bonds in its possession through its escheatment process. In addition, Kentucky commenced a civil action to take title of \$212 million in lost and abandoned mature bonds that are owned by state residents but are in the Treasury's control and possession. According to the Kentucky state treasurer's office, 780 bonds totaling more than \$214,000 have been returned to 221 state owners since the spring of 2015.

## NCSL Contact

[Heather Morton](#)  
(303) 856-1475