

111TH CONGRESS
1ST SESSION

S. 827

To establish a program to reunite bondholders with matured unredeemed
United States savings bonds.

IN THE SENATE OF THE UNITED STATES

APRIL 3 (legislative day, APRIL 2), 2009

Mr. ROCKEFELLER (for himself, Mr. ROBERTS, and Mr. LEAHY) introduced
the following bill; which was read twice and referred to the Committee
on Finance

A BILL

To establish a program to reunite bondholders with matured
unredeemed United States savings bonds.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Unclaimed Savings
5 Bond Act of 2009”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) To maintain public confidence in the United
9 States savings bond program, sound public policy fa-
10 vors diligent and productive efforts to locate the

1 owners of matured unredeemed savings bonds and
2 return to such owners the more than
3 \$16,500,000,000 in associated bond proceeds.

4 (2) The Government does not have an orga-
5 nized program to identify the owners of all matured
6 unredeemed savings bonds and return to such own-
7 ers their bond proceeds.

8 (3) All 50 States, the District of Columbia, the
9 Commonwealth of Puerto Rico, and the United
10 States Virgin Islands operate unclaimed property
11 programs that return to rightful owners over
12 \$1,500,000,000 of property annually, and but for
13 the efforts of State unclaimed property programs,
14 this property would almost certainly remain lost.

15 (4) Providing assistance to State unclaimed
16 property programs to help return the proceeds of
17 matured savings bonds to their rightful owners
18 would benefit owners of savings bonds, stimulate the
19 economy, and recognize the important, longstanding
20 role of these programs in consumer protection.

21 (5) For the Government to develop and admin-
22 ister an unclaimed property program like the suc-
23 cessful ones that States already have would be cost-
24 ly, duplicative, and administratively burdensome,

1 and would involve the Government in an area that
2 historically has been the province of the States.

3 (6) Although the proceeds of matured
4 unredeemed savings bonds are held in the United
5 States Treasury, these proceeds are not Federal
6 funds and belong to bond owners, not the Federal
7 Government.

8 (7) Income taxes on matured savings bonds are
9 due at final maturity. To promote equity among all
10 taxpayers, estimated taxes due should be withheld
11 from savings bond proceeds in Federal Government
12 possession.

13 **SEC. 3. DEMONSTRATION PROGRAM TO RETURN THE PRO-**
14 **CEEDS OF MATURED UNREDEEMED U.S. SAV-**
15 **INGS BONDS TO THEIR RIGHTFUL OWNERS.**

16 (a) ESTABLISHMENT OF DEMONSTRATION PRO-
17 GRAM.—

18 (1) IN GENERAL.—Subject to the succeeding
19 provisions of this section, beginning in the first fiscal
20 year beginning after the date of the enactment of
21 this Act, the Secretary shall conduct a demonstra-
22 tion program (referred to in this section as the
23 “demonstration program”) under which the Sec-
24 retary—

1 (A) attempts to identify and locate the
2 owners of specified unredeemed savings bonds,
3 and

4 (B) provides assistance to States in the
5 form of bondholder location and assistance
6 grants (as defined in subsection (b)) for the
7 purpose of owner location and notification ac-
8 tivities with respect to such bonds.

9 (2) PARTICIPATION IN DEMONSTRATION PRO-
10 GRAM.—A State electing to participate in the dem-
11 onstration program for any fiscal year by receiving
12 a bondholder location and assistance grant shall no-
13 tify the Secretary of such election on or before Sep-
14 tember 1 of the fiscal year preceding such fiscal year
15 by filing a grant application with the Secretary, in
16 such manner and accompanied by such information
17 as the Secretary may reasonably require.

18 (3) DIRECT OUTREACH.—Under the demonstra-
19 tion program, the Secretary shall attempt to locate
20 the owners of specified unredeemed savings bonds
21 for which the registered address (as determined
22 under subsection (c)(2)(C)(i)(II)) is located in a
23 State not participating in the demonstration pro-
24 gram in the fiscal year in which such bond would
25 otherwise have been referred to such State under

1 subsection (c)(2)(C)(iii), or is not located in any
2 State.

3 (4) AUTHORIZATION OF APPROPRIATIONS.—

4 There is authorized and appropriated from the gen-
5 eral fund of the Treasury such sums as are nec-
6 essary to carry out the purposes of this section.
7 Such sums shall be available until expended.

8 (5) REPORT TO CONGRESS.—The Secretary
9 shall report to Congress not later than October 31
10 of each fiscal year regarding the program established
11 under this subsection. Such report, which may be
12 combined with other reports of the Secretary to Con-
13 gress, shall include—

14 (A) a description of the actions taken
15 under this subsection in the preceding fiscal
16 year,

17 (B) for each State, the number of specified
18 unredeemed savings bonds referred to such
19 State during the preceding fiscal year,

20 (C) for each State, the amount and num-
21 ber of such bonds referred to such State in all
22 fiscal years, by year of referral, that were re-
23 deemed in the preceding fiscal year,

24 (D) the average amount of time between
25 the receipt of valid claims for such bonds and

1 the issuance of payment to redeem such bonds,
 2 and

3 (E) the States receiving a bondholder loca-
 4 tion and assistance grant under the demonstra-
 5 tion program during the preceding fiscal years
 6 of such program, the total number of such
 7 grants awarded during such fiscal years, and
 8 the total amount of grant funds distributed
 9 under subsection (b)(2) during such fiscal
 10 years.

11 (b) BONDHOLDER LOCATION AND ASSISTANCE
 12 GRANTS.—

13 (1) IN GENERAL.—For purposes of the dem-
 14 onstration program established under subsection (a),
 15 a bondholder location and assistance grant is a
 16 grant issued by the Secretary to a State for the pur-
 17 pose of locating the owners of specified unredeemed
 18 savings bonds referred to the State as provided in
 19 subsection (c)(2)(C)(iii) and providing the owners of
 20 such bonds with assistance in claiming the proceeds
 21 of such bonds.

22 (2) AWARDING OF GRANTS.—Subject to the
 23 availability of funds, the Secretary shall make an
 24 award in each fiscal year of a bondholder location
 25 and assistance grant under the demonstration pro-

1 gram established under subsection (a) to any State
 2 that has submitted for such fiscal year a grant ap-
 3 plication under paragraph (2) of such subsection
 4 that satisfies all requirements stipulated by the Sec-
 5 retary for such applications. The funds under such
 6 grant shall be made available to the State within 30
 7 days of the later of the start of such fiscal year or
 8 the appropriation of funds for the demonstration
 9 program for such fiscal year.

10 (3) GRANT AMOUNT.—The amount of each
 11 bondholder location and assistance grant awarded to
 12 a State for any fiscal year shall be an amount equal
 13 to the product of—

14 (A) the number of bonds that will be re-
 15 ferred to such State in such fiscal year, as esti-
 16 mated by the Secretary based on the rec-
 17 ommendation of the State coordinator under
 18 subsection (c)(2)(C)(i), and

19 (B) \$30,
 20 such amount to be made available to the State until
 21 expended.

22 (4) GRANT ACTIVITIES.—

23 (A) MANDATORY ACTIVITIES.—A State re-
 24 ceiving a bondholder location and assistance

grant in any fiscal year shall conduct the following activities under such grant in such year:

(i) WRITTEN NOTIFICATION EFFORTS.—Written notification, mailed to each owner of record of each specified unredeemed savings bond referred to the State with respect to whom an address suitable for the delivery of mail can be determined, of—

(I) the existence of such bond,

(II) the fact that such bond is no longer earning interest, and

(III) the fact that the bond may be redeemed through agents of the Department of the Treasury.

(ii) INCLUSION IN STATE DATABASES.—In the case of any State that operates a searchable database of unclaimed property, inclusion in such database of information about each specified unredeemed savings bond referred to the State and the owner of such bond.

(B) OPTIONAL ACTIVITIES.—In addition to the activities required under subparagraph (A), funds received by a State under a bondholder

1 location and assistance grant may be used for
2 the following activities:

3 (i) OWNER LOCATION AND NOTIFICA-
4 TION EFFORTS.—In addition to the activi-
5 ties required under subparagraph (A)(i),
6 activities to locate the owners of specified
7 unredeemed savings bonds referred to the
8 State and to notify such owners of such
9 bonds, including matching bond records
10 against State databases or constituent lists
11 maintained by State legislators, research-
12 ing the location of such owners, and pub-
13 lishing notices in newspapers and maga-
14 zines of general circulation.

15 (ii) ASSISTANCE TO BONDHOLDERS.—
16 Actual and attempted communications with
17 owners of specified unredeemed savings
18 bonds about methods of bond redemption,
19 requirements for filing claims for missing
20 bonds or other similar claims, the status of
21 claims for bonds, and similar matters.

22 (C) RESTRICTIONS ON LOCATION AND NO-
23 TIFICATION EFFORTS.—The Secretary may pro-
24 vide for such restrictions on methods used to lo-
25 cate and notify owners of specified unredeemed

1 savings bonds as the Secretary deems appro-
 2 priate, including any restrictions on the use of
 3 commercial locator services.

4 (5) PROVISION OF BOND RECORDS.—Subject to
 5 any other requirements and limitations provided in
 6 this section, the State coordinator shall provide to a
 7 State receiving a bondholder location and assistance
 8 grant such records with respect to the bonds re-
 9 ferred to such State under subsection (c)(2)(C)(iii)
 10 as are necessary and appropriate to carry out the
 11 purposes of such grant.

12 (c) EXAMINATION AND REFERRAL OF BONDS.—

13 (1) IN GENERAL.—Not later than 90 days after
 14 the date of the enactment of this Act, the Secretary
 15 shall enter into a cooperative agreement (within the
 16 meaning of section 6305 of title 31, United States
 17 Code) with the State coordinator for the purpose
 18 of—

19 (A) identifying the owners of specified
 20 unredeemed savings bonds, and

21 (B) referring specified unredeemed savings
 22 bonds to the State of residence of the owner, in
 23 the case of a State that is participating in the
 24 demonstration program by receiving a bond-
 25 holder location and assistance grant under sub-

1 section (b) for the fiscal year in which the refer-
2 ral is made.

3 (2) AGREEMENT REQUIREMENTS.—The cooper-
4 ative agreement entered into under paragraph (1)
5 shall provide for the following with respect to speci-
6 fied unredeemed savings bonds:

7 (A) ACCESS TO BOND RECORDS.—The Sec-
8 retary shall provide the State coordinator with
9 full access to records related to such bonds.

10 (B) COMPILATION OF INFORMATION.—The
11 State coordinator shall compile relevant infor-
12 mation with respect to such bonds and make
13 the results of such compilation available to the
14 Secretary for the Secretary's review and concur-
15 rence.

16 (C) REFERRAL OF BONDS TO STATES FOR
17 PROCESSING.—

18 (i) RECOMMENDATION OF STATE OF
19 REFERRAL.—

20 (I) The State coordinator shall
21 make a recommendation to the Sec-
22 retary regarding to which State each
23 bond should be referred for owner lo-
24 cation and notification activities.

1 (II) Such recommendation shall
2 be based on the registered owner's ad-
3 dress of record being in the State to
4 which the bond will be recommended
5 to be referred as determined in ac-
6 cordance with Government Auditing
7 Standards for appropriateness and
8 sufficiency.

9 (ii) FINALITY OF DETERMINATION.—
10 The Secretary shall make the final deter-
11 mination regarding the State, if any, to
12 which each bond should be referred for
13 processing after taking into account the
14 recommendation of the State coordinator.
15 Such determination by the Secretary shall
16 be conclusive and shall not be subject to
17 judicial review.

18 (iii) REFERRAL.—Subject to clauses
19 (iv) and (v), in the case of a State that is
20 participating in the demonstration pro-
21 gram by receiving a bondholder location
22 and assistance grant under subsection (b)
23 for the fiscal year in which the referral will
24 be made, the Secretary shall refer to such
25 State each bond that the Secretary has de-

1 terminated should be referred to such State,
2 for activities under such grant.

3 (iv) LIMITATION BASED ON AVAIL-
4 ABILITY OF FUNDS.—The Secretary shall
5 not refer a bond to a State described in
6 clause (iii) unless sufficient funds are
7 available to provide to such State the full
8 grant amount described in subsection
9 (b)(3) for the fiscal year in which the re-
10 ferral will be made.

11 (v) LIMITATION BASED ON MAXIMUM
12 ALLOWABLE NUMBER OF BONDS.—

13 (I) IN GENERAL.—The State co-
14 ordinator shall not examine under the
15 agreement described in this subsection
16 more than the number of bond
17 records that is reasonably expected to
18 result in the referral to the States of
19 a number of such bonds that is not
20 greater than such maximum allowable
21 number.

22 (II) MAXIMUM ALLOWABLE NUM-
23 BER OF SPECIFIED UNREDEEMED
24 SAVINGS BONDS.—For purposes of
25 this clause, the maximum allowable

1 number of specified unredeemed sav-
 2 ings bonds is a number of such bonds
 3 such that the sum of—

4 (aa) the product of—

5 (AA) the number of
 6 bonds, and

7 (BB) \$30, and

8 (bb) the estimated amounts
 9 to be paid by the Secretary to the
 10 State coordinator under para-
 11 graph (3),
 12 equals \$300,000,000.

13 (D) SEARCHABLE DATABASE.—After the
 14 Secretary concurs with the information com-
 15 piled under subparagraph (B), the State coordi-
 16 nator shall establish a searchable database
 17 which includes such information specified by
 18 the Secretary with respect to each bond and the
 19 State to which each bond is recommended to be
 20 referred for processing. The State coordinator
 21 shall update the information contained in such
 22 database (including information indicating
 23 which bonds have been redeemed) in such man-
 24 ner as the Secretary may provide.

1 (3) PAYMENT OF FUNDS.—The cooperative
 2 agreement entered into under this subsection shall
 3 specify that the Secretary shall pay to the State co-
 4 ordinator, from the funds appropriated for the dem-
 5 onstration program, an amount equal to the reason-
 6 able costs of carrying out the State coordinator’s du-
 7 ties under the agreement.

8 (d) CONFIDENTIALITY.—

9 (1) RETURN INFORMATION.—Except as pro-
 10 vided in paragraph (2), for purposes of section 6103
 11 of the Internal Revenue Code of 1986, records pro-
 12 vided to the State coordinator or to a State by the
 13 Secretary under this section shall be treated as re-
 14 turn information as defined in section 6103(b)(2) of
 15 such Code.

16 (2) EXCEPTION.—Notwithstanding section
 17 6103(b)(2)(A) of the Internal Revenue Code of
 18 1986, for purposes of this paragraph, the name and
 19 address of the holder of a bond and such other infor-
 20 mation as may be specified by the Secretary shall
 21 not be treated as return information when provided
 22 to the State coordinator or to a State by the Sec-
 23 retary.

24 (e) DEFINITIONS.—For purposes of this section—

1 (1) REGISTERED ADDRESS.—The term “reg-
2 istered address” means the address of the bond
3 owner inscribed on the face of the bond or main-
4 tained by the Secretary at the time of final maturity
5 of such bond.

6 (2) SECRETARY.—The term “Secretary” means
7 the Secretary of the Treasury or the Secretary’s del-
8 egate.

9 (3) SPECIFIED UNREDEEMED SAVINGS BOND.—
10 The term “specified unredeemed savings bond”
11 means each outstanding United States savings bond,
12 except that such bond shall not be treated as a spec-
13 ified unredeemed savings bond until the later of—

14 (A) the date that is 5 years after the date
15 of the maturity of such bond; or

16 (B) the date of the enactment of this Act.

17 (4) STATE.—The term “State” includes the
18 District of Columbia and any territory or possession
19 of the United States that maintains a program for
20 the administration of unclaimed property.

21 (5) STATE COORDINATOR.—The term “State
22 coordinator” means the eligible entity which is deter-
23 mined by the Secretary, after consultation with the
24 States, to be best suited to carry out the activities
25 described in subsection (c). For purposes of the pre-

1 ceding sentence, the term “eligible entity” means
2 any State or the National Association of Unclaimed
3 Property Administrators.

4 **SEC. 4. WITHHOLDING OF TAX ON UNCLAIMED INTEREST.**

5 (a) IN GENERAL.—The Secretary of the Treasury
6 shall deduct and withhold from the proceeds of any ma-
7 tured outstanding United States savings bond, on the later
8 of the date of maturity of such bond or the date of the
9 enactment of this Act, a tax in an amount equal to the
10 applicable percentage of the amount which, if such bond
11 were redeemed, would constitute interest.

12 (b) APPLICABLE PERCENTAGE.—For purposes of
13 this section, the applicable percentage is the 2nd highest
14 rate of individual income tax under section 1(c) of the In-
15 ternal Revenue Code of 1986.

16 (c) TREATMENT IN SAME MANNER AS WAGE WITH-
17 HOLDING.—Except as otherwise provided by the Secretary
18 of the Treasury, for purposes of sections 3403 and 3404
19 of the Internal Revenue Code of 1986 and so much of
20 subtitle F of such Code (except section 7205) as relates
21 to chapter 24 of such Code, payments to any person as
22 a result of the redemption of any bond subject to with-
23 holding under this subsection shall be treated, at the time
24 of maturation of such bond, as if such payments were
25 wages paid by an employer to an employee.

1 (d) INCLUSION IN INCOME OF BONDHOLDER.—Ef-
 2 fective on the date of maturity of any matured outstanding
 3 United States savings bond, the amount which, if such
 4 bond were redeemed, would constitute interest shall be
 5 treated as gross income of the holder of such bond for
 6 purposes of section 61 of the Internal Revenue Code of
 7 1986.

8 (e) FILING OF AMENDED RETURNS.—

9 (1) IN GENERAL.—Upon redemption of any ma-
 10 tured outstanding United States savings bond, the
 11 bondholder may file an amended Federal income tax
 12 return for the taxable year of the maturity of such
 13 bond in order to claim a credit for the amount with-
 14 held in such year under subsection (a), provided that
 15 such amended return includes the inclusion in the
 16 income of the bondholder of the amounts specified in
 17 subsection (d).

18 (2) EXCEPTION TO STATUTE OF LIMITA-
 19 TIONS.—An amended return filed by reason of para-
 20 graph (1) shall be considered a return for purposes
 21 of sections 6501(a) and 6511(a) of the Internal Rev-
 22 enue Code of 1986.

23 (f) CONFORMING AMENDMENT.—Subsection (b) of
 24 section 1324 of title 31, United States Code, is amended—

- 1 (1) by striking “and” at the end of paragraph
2 (1);
3 (2) by striking the period at the end of para-
4 graph (2) and inserting “; and”; and
5 (3) by adding at the end the following new
6 paragraph:
7 “(3) refunds due from the credit provision of
8 section 4(e)(1) of the Unclaimed Savings Bond Act
9 of 2009.”.

○