

111TH CONGRESS  
1ST SESSION

# S. 827

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

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## 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

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## 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

1 grant in any fiscal year shall conduct the fol-  
2 lowing activities under such grant in such year:

3 (i) WRITTEN NOTIFICATION EF-  
4 FORTS.—Written notification, mailed to  
5 each owner of record of each specified  
6 unredeemed savings bond referred to the  
7 State with respect to whom an address  
8 suitable for the delivery of mail can be de-  
9 termined, of—

10 (I) the existence of such bond,

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

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

16 (ii) INCLUSION IN STATE DATA-  
17 BASES.—In the case of any State that op-  
18 erates a searchable database of unclaimed  
19 property, inclusion in such database of in-  
20 formation about each specified unredeemed  
21 savings bond referred to the State and the  
22 owner of such bond.

23 (B) OPTIONAL ACTIVITIES.—In addition to  
24 the activities required under subparagraph (A),  
25 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.”.

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