SPECIAL REPORT
state tax notes™

It's Time to Reform Escheatment of Mutual Fund Shares

by Daniel Whipple

Daniel Whipple is a graduate of George Washington University Law School. He is planning to work at a financial services firm in Orange County, California, and will be pursuing an LLM through New York University's Executive Program.

In this report, Whipple discusses the escheat of mutual fund shares under state unclaimed property laws, argues that mutual fund shareholders are often harmed by policies allegedly designed to help them, and offers three suggestions for fairer treatment of mutual fund owners. The article was selected as a winning entry in Tax Analysts' annual student writing competition.

Mutual funds are popular savings products that are used by over 95 million Americans. The funds offer features that otherwise would only be available to the wealthiest individuals: access to liquidity, active management, diversification, and affordable access to capital markets.[1] Nevertheless, mutual fund investors are likely unaware that if their mutual fund shares are deemed abandoned under state law, the mutual funds must turn over, or escheat, those shares to the state. Moreover, a number of states are likely to deem mutual fund owners as "lost" even in situations in which investors are fully aware of their mutual fund shares and satisfied with their arrangement.

This paper discusses the use of unclaimed property statutes to escheat mutual funds and recommends several changes necessary to protect mutual fund investors. Escheatment of mutual funds has yet to become a prominent issue outside the industry, but if aggressive escheatment laws and tactics continue, hundreds of millions of dollars of mutual fund shares could be taken from unknowing investors.

I. Unclaimed Property Laws

State governments currently hold over $41 billion of individuals' unclaimed property collected from financial institutions, businesses, and government entities.[2] All 50 states have unclaimed property statutes that allow the state to escheat, or to take possession of, personal property when that property has been abandoned. These statutes apply to both tangible and intangible property, but generally affect accounts held by financial institutions and companies, such as dormant bank accounts and uncashed checks.

The purpose of unclaimed property statutes is to facilitate the reunification of lost property with its true owner. Every state operates as a custodial escheat (as opposed to a true escheat), meaning that title does not permanently pass to the state; the state merely takes custody until the true owner reclaims it.[3] However, every state allows the escheated property to be used as a source of revenue for the state until its true owner reclaims the lost property. A majority of escheated property is never reclaimed by its owner.[4]

Since the beginning of modern unclaimed property laws, states have occasionally decreased dormancy periods. In recent years, there has been a wave of dormancy period reductions.[5] In the recent wave, states have claimed that decreasing dormancy periods increases reunification rates.[6] It is true that states that have decreased dormancy periods have seen increased unification rates, but these increases are minimal.

While several judicial decisions have upheld states' use of unclaimed property statutes to generate revenue, the use of these statutes should concern investors, consumers, and citizens generally.[7] Using unclaimed property statutes as a source of revenue creates a conflict of interest. These statutes are designed to protect property owners, but the prospect of boosting revenues without raising taxes motivates states to escheat more property, even at the expense of the property owners. Delaware, arguably the worst abuser of unclaimed

---

[1]*See* Investment Company Institute (ICI), *2014 Investment Company Fact Book*, at 102.

[2]*See* National Association of Unclaimed Property Administrators (NAUPA), What is Unclaimed Property? (2015), *available at* http://naupa.org/what/.

[3]Michael Houghton et al., *Unclaimed Property*, 74-2d Corp. Prac. Sec. (BNA), section I.

[4]*See* http://www.naupa.org.

[5]*See generally* Hollis L. Hyans and Amy F. Nogid, "Honey, I Shrunk the Dormancy Periods!" *State Tax Notes*, Feb. 21, 2011, p. 559.

[6]Before 1981 dormancy periods generally were seven years, but in the 1995 version of the Uniform Unclaimed Property Act, the general dormancy period was shortened to five years. Since then, the trend has been for states to move to a general three-year dormancy period, and today most states have dormancy periods under five years. *See* Appendix A. NAUPA, which represents state escheators, has asserted that decreased dormancy periods increase return rates. *See* Revision of the Uniform Unclaimed Property Act, Schedule of NUAPA Recommendations (Feb. 2014), *available at* http://bit.ly/1eZJawO.

[7]*See* Teagan J. Gregory, "Unclaimed Property and Due Process: Justifying 'Revenue-Raising' Modern Escheat," 110 *Mich. L. R.* 2, Nov. 2011.

property statutes, escheated over $500 million last year, its third largest source of revenue, and returned less than 4 percent of all property collected.[8] One of the more worrisome state collection practices is the use of formulas to estimate how much unclaimed property and penalties a company must turn over when there are no company records available to inspect. This is especially troublesome because states have been collecting revenues by applying estimates for up to 30 years into the past.[9] These estimates can provide states with easy revenues — 40 percent of Delaware's revenue from unclaimed property stemmed from the estimation of liability where records were unavailable.[10]

Another troublesome state practice is the use of third-party auditors paid via contingent fee.[11] This type of arrangement is clearly inappropriate since it creates incentives for the auditor to find the highest amount of unclaimed property and interpret statutes and regulations in a manner favorable to its own objectives. It also leads to excessive fees and potential violations of due process.

II. Escheatment of Mutual Funds

When a state escheats mutual fund shares, the shares remain with the fund's transfer agent or broker, but ownership of the shares is transferred from the owner to the state. It is only when the shares are liquidated that the transfer agent or broker no longer holds them. Liquidation of the shares can cause the most harm to shareholders because it prevents a shareholder from earning any appreciation of the fund's underlying assets. Further, lost shareholders who reclaim their liquidated shares are required to pay any fees and taxes associated with the fund liquidation.[12] While some states do provide protections from liquidation to lost shareholders (a small minority require the state to hold the shares for over a year before liquidation and several states entitle lost shareholders to appreciation within three years), most states do not require the state to hold the property for a certain period or entitle shareholders to any lost appreciation.[13]

While there is no federal escheatment, transfer agents and brokers are subject to SEC Rule 17Ad-17, which requires them to try to locate shareholders after mail is returned as undeliverable. Rule 17Ad-17 requires transfer agents and brokers to resend returned mail and conduct at least two database searches six months apart to locate the shareholder.

Because a mutual fund's shareholders can be located across the country, mutual funds must determine which state's unclaimed property law applies to each shareholder. Under a long-standing U.S. Supreme Court case, *Texas v. New Jersey*,[14] unclaimed property escheats to the state of the owner's last known address. If the address is unknown or is located in a state that does not escheat that type of property, the property escheats to the state of incorporation of the holder of the property. Mutual fund shareholders are required to give their address when opening an account, so generally the mutual funds would escheat to the state where the owner lives or lived, but in situations in which the mutual fund owner has died and the mutual fund has no record of a beneficiary's address, the shares escheat to the state of the fund's incorporation.

Mutual funds, like all businesses, are also required to comply with unclaimed property reporting and record-keeping requirements. If funds do not comply with these requirements, they face stiff fines and penalties.[15] Mutual funds, along with other businesses, have faced increasingly aggressive enforcement by private contingency fee auditors. For example, most unclaimed property statutes do not place an affirmative duty on mutual funds to determine if their shareholders are deceased, but auditors have attempted to force mutual funds to compare their records with names contained in the Social Security Death Master File (DMF).[16] And the DMF is not reliable; names located in the DMF are often names of living persons. Some auditors even assert that although mail has been delivered and the shareholder has initiated activity with the fund or its broker, the DMF should have been checked.[17] Contingency fee auditors are a problem that all industries face, not just

[8]*See* Delaware Office of Management and Budget, Governor's Recommended Budget (2015), *available at* http://1.usa.gov/1CEkHrD.

[9]*See* Anthony L. Andreoli and Josiah S. Osibodu, "Unclaimed property: How to Comply with the Undisclosed Liability and Reporting Requirements," *J. of Accountancy* (Feb. 1, 2004).

[10]*See* Debbie Zumoff and Karen Anderson, "Unclaimed Property Reform Efforts in Delaware: The Delaware Unclaimed Property Task Force," Keanotes, Winter 2015, p. 4.

[11]*See* American Institute of Certified Public Accountants, "Contingent Fee Audit Arrangements," *available at* http://bit.ly/1LeV4ze.

[12]Under IRC section 61(a) any income from whatever source derived is a taxable event, but in IRS LTR 200946006 (Nov. 13, 2009), the IRS ruled that the taxpayer could avoid recognition of gain where escheated property with a built-in gain was liquidated by the state if the proceeds from the liquidation were reinvested in similar property within two years.

[13]*See* Appendix B.

[14]379 U.S. 674 (1965).

[15]Fines generally include interest payments and penalties. Interest charges vary from 10 percent to 25 percent of the property value while civil penalties may be $100 to $200 per day or $1000 to $25,000 per violation. *See* Valerie Jundt, "Unclaimed Property 101: The Essentials of Reporting and Compliance" (May 2012), *available at* http://bit.ly/1HtUnxp.

[16]*See* Bendan Ballard, Wilson Barmeyer, and Frederick Bellamy, "Massachusetts Treasurer Demands National Mutual Fund Records in Multistate Unclaimed Property Audit," JDSupra Business Advisor (Oct. 9, 2014), *available at* http://www.jdsupra.com/legalnews/massachusetts-treasurer-demands-national-42088.

[17]The ICI noted in a comment letter to the Uniform Law Commission Unclaimed Property Act Drafting Committee that its "members encountered situations where they have a valid address on an owner but are forced by state law to escheat property because the owner of the account has not affirmatively contacted the fund company." ICI

(Footnote continued on next page.)

mutual funds. Many have suggested a simple solution — pay private auditors a flat fee for service. But the auditors will likely not stand for a change like this.

III. Reshaping Escheatment of Mutual Funds

In the ever-changing unclaimed property landscape, mutual funds have increasingly become a target of many changes, and most investors in mutual funds are likely unaware of the implications of these changes. This section provides several recommendations that states should consider to protect mutual fund shareholders.

A. The initial trigger for abandonment of mutual fund shares should only occur after correspondence is returned as undeliverable.

State unclaimed property statutes have generally not treated mutual fund shareholders as lost until mail sent to the shareholder was returned as undeliverable. This standard is known as the undeliverable mail returned by the post office (RPO) standard.[18] If statements or tax documents mailed to the shareholder are not returned as undeliverable, the presumption is that the shareholder is receiving the correspondence and is satisfied with the arrangement.

In the past decade, more than one-third of states have turned to a "no contact" standard as the initial trigger, with Delaware leading the way.[19] This type of standard harms investors and can be extremely costly to mutual funds. Under the no contact standard, mutual funds can be deemed abandoned even in instances where mail is successfully delivered to the shareholder, and thus potentially harming a diligent and fully oriented investor. Therefore, states should discard the no contact standard in favor of an RPO standard.

As states have become more aggressive in collecting unclaimed property, they have turned to the no contact standard for all types of security holders as a source of revenue. One informal study involving six major security issuers in Illinois estimated that a no contact standard would trigger five times as many shares as an RPO standard.[20] Changing to a no contact standard for mutual funds is likely to lead to increased escheatment totaling several times that estimate because of the long-term and passive nature of mutual fund investing.

In contrast, the RPO standard is appropriate for mutual funds because mutual funds are primarily used as long-term passive investments, and because mutual funds send correspondence to investors. Further, the RPO standard combined with Rule 17Ad-17 are generally thought to be consistent with a fund's fiduciary responsibility to its shareholders.[21]

States with a no contact standard will undoubtedly escheat and liquidate shares in situations in which investors would not consider themselves lost, and therefore this standard is inappropriate for mutual funds.

B. Escheatment of the shares should only occur after a continuous seven-year period of abandonment has occurred.

Mutual fund investing is generally long-term investing and the escheat regime should reflect this. Unclaimed property laws should not place a burden on shareholders to make contact with their funds. The purpose of these statutes is not to encourage interaction between investor and mutual fund, but to preserve owners' rights in their property. A seven-year period recognizes that a mutual fund shareholder may not be lost even though no contact has occurred. Moreover, a shorter three-year period, which is now used by two-thirds of states, could interfere with probate and estates of deceased people.[22] A longer seven-year period ensures that the property is truly abandoned before escheatment.

C. Statutes should not liquidate mutual fund shares for at least seven years.

Several states have undeniably turned to unclaimed property to make up for budget shortfalls. When mutual fund shares are escheated, the state cannot use them to benefit the public until they are liquidated. While it is true that one of the goals of unclaimed property statutes is to put the property to public use, liquidating the mutual funds shares for cash changes the property right of the true owner. After liquidation, a shareholder loses the potential for any upside gain (or loss) in the value of the underlying portfolio. Once a shareholder claims his escheated shares that have been liquidated, the shareholder will also be responsible for taxes due at liquidation, and also, if the shares were in a tax-favored account, the shareholder will be liable for any penalties.

One might argue that escheatment and liquidation protect mutual fund shareholders from a potential run on the mutual fund in times of economic distress; however, unlike banks, mutual funds do not experience runs in times of

---

Comment Letter to Uniform Law Commission Unclaimed Property Act Drafting Committee, Tamara K. Salmon (Dec. 29, 2014).

[18]Several states did use a no contact standard in the 1970s and 1980s, but this standard was applied with a seven-year dormancy period instead of the three-year period used today. *See* 1981 Uniform Unclaimed Property Act, section 10, comment.

[19]Before 2008 Delaware law required that the location of the owner be unknown to the holder before property was escheated, but in 2008 the Delaware legislature removed this requirement. *See* Securities Transfer Association Inc., Letter to Delaware Gov. Jack Markell (March 27, 2012), *available at* http://www.stai.org/pdfs/2012-03-delaware-letter.pdf; *see also* Appendix A.

[20]Debbie L. Zumoff, "Inactivity vs. Returned Mail," Presentation to the 2011 UPPO Annual Conference, 4, *available at* http://bit.ly/1UYYPNJ.

[21]Securities Industry and Financial Markets Association, "The Unclaimed Property Continuum," SIFMA Operations Conference, 42 (2012), *available at* http://bit.ly/1GjPcy2.

[22]*See* Appendix A.

financial distress.[23] Also, individuals invest in mutual funds knowing that their investment is subject to the financial markets and take on these risks.

D. Mutual fund owners should be allowed to opt out of unclaimed property statutes.

Mutual fund investors should be allowed to opt out of their state's unclaimed property regimes. The opt-out should be presented at the same time that mutual fund shares are purchased. A general notice informing the investor of that state's unclaimed property law, its effects on mutual funds, and the consequences of opting out should accompany the document that presents the opt-out. The opt-out should not survive the death of the investor nor should it survive a mutual fund merger or liquidation. By opting out, long-term passive mutual fund investors are able to demonstrate their satisfaction with their investment arrangement and demonstrate their willingness to maintain all responsibilities associated with that type of investment activity. Unclaimed property regimes are rooted in consumer protection, but these protections are unnecessary for mutual fund investors who are already protected by numerous securities laws. Moreover, these regimes tend to harm mutual fund investors more than protect them.

Unclaimed property laws have two primary objectives: to reunite abandoned property with its true owners and to preserve the owner's property rights. An increasingly relied-on additional objective is to put abandoned property to public use, but this objective is secondary to the first two.

Unclaimed property laws foster reunification of unclaimed property with their owners by placing all unclaimed property with a common holder. If one person holds all unclaimed property, citizens are likely to know where to look for their property. The common holder also creates an incentive for citizens to search for lost property.[24] The more property the common holder collects, the more incentive citizens have to inquire.[25] Nonetheless, these objectives can be achieved without liquidation when it comes to mutual funds. The primary reason states liquidate mutual funds is to bolster the state coffers. Liquidation does not serve the goal of reunification, and it is the primary source of harm to mutual fund owners. The opt-out provision allows investors to assert their desire to prevent the state from liquidating their shares.

Unclaimed property laws likewise protect property owners from private escheatment. By requiring property holders to turn over abandoned property, states prevent private companies from taking and using unclaimed property for their own gain. This also eliminates incentives that property holders might have to create policies, processes, or schemes that might take advantage of careless property owners. Nonetheless, private escheatment is not a threat to mutual fund investors. The holders of the mutual fund shares, generally third-party transfer agents or broker-dealers, are heavily regulated by the SEC and subject to a number of stringent rules and regulations that prevent the shares from being used for private benefits at the expense of the shareholder.[26]

Unclaimed property laws similarly protect property owners from the consequences of bankruptcy. Without these regimes, bankruptcy would likely extinguish the property rights of any property held by the bankrupt firm on behalf of lost owners. However, this threat does not exist in the mutual fund context. Mutual funds do not go bankrupt.[27] A mutual fund's adviser might go bankrupt, but this is not a threat to the mutual fund itself. A mutual fund is owned by its shareholders, and the fund is a separate entity from its adviser. If the adviser goes bankrupt, its creditors will generally not have a claim to the assets in the fund.

As states have needed more money, they have increasingly argued that an objective of unclaimed property laws is to put unclaimed property to public use. Because mutual fund shares must be liquidated before this can happen, mutual fund investors are at risk of serious harm. After liquidation, the shareholder loses any rights to appreciated gain and would likely be liable for taxes and penalties. The objective of protecting mutual fund shareholders should come before raising revenue, and the opt-out puts investor protection before revenue raising.

IV. Conclusion

In the land of escheat, mutual fund shareholders are finding themselves more and more vulnerable. Shortened dormancy periods and broadened abandonment triggers should raise concerns for mutual fund investors and state lawmakers. State legislatures should consider the nature of mutual fund investing and tailor unclaimed property statutes to ensure that only truly lost shares of mutual funds are escheated.

---

[23] "Evidence clearly indicates that investors' net redemptions from stock and bond mutual funds remain modest during even the worst financial crises." Investment Company Institute Comment Letter to the SEC, Public Feedback on Office of Financial Research Study on Asset Management Issues, B-1 (Nov. 2013), *available at* https://www.sec.gov/comments/am-1/am1-26.pdf. However, there was a run on a money market mutual fund account in 2008; in that case the Reserve Primary Fund "broke the buck." Because money market mutual funds act more like bank accounts, it might be more appropriate to classify these products as bank accounts for escheat purposes.

[24] *See* Gregory, *supra* note 7.

[25] *Id.*

[26] *See* SEC Rule 15c3-3; *see also* Financial Industry Regulatory Authority Rule 4330.

[27] Kimberly Lankford, "How Mutual Fund Assets Are Protected," Kiplinger (Oct. 2, 2008), *available at* http://www.kiplinger.com/article/investing/T041-C001-S001-how-mutual-fund-assets-are-protected.html.

Appendix A. Dormancy and Trigger Periods

State	Dormancy Period	Trigger	Citation
Alabama	3 Years*	Unclaimed Dividend or RPO or Discontinued Mailing	Ala. Code section 35-12-72(a)(7)
Alaska	5 Years	Unclaimed Dividend or RPO or Discontinued Mailing	Alaska Stat. section 34.45.200(a)
Arizona	3 Years*	Unclaimed Dividend or RPO or Discontinued Mailing	Ariz. Rev. Stat. Ann. section 44-302(3)
Arkansas	5 Years	Unclaimed Dividend or RPO or Discontinued Mailing	Ark. Stat. Ann. section 18-28-202
California	3 Years	Unclaimed Dividend or No Contact and Lost Shareholder	Calif. Civ. Proc. Code section 1516
Colorado	5 Years	Five Unclaimed Dividends	Colo. Rev. Stat. section 38-13-107.5
Connecticut	3 Years	RPO or No Contact	Conn. Gen. Stat. section 3-59b
Delaware	5 Years	No Contact	Del. Code Ann. tit. 12, section 1197
Florida	3 Years*	Unclaimed Dividend or RPO or Discontinued Mailing	Fla. Stat. section 717.1101
Georgia	5 Years	Unclaimed Dividend or No Contact and Lost Shareholder	Ga. Code section 44-12-201
Hawaii	5 Years	Unclaimed Dividend or RPO or Discontinued Mailing	Hawaii Rev. Stat. section 523A-3
Idaho	5 Years	Unclaimed Dividend and Lost Shareholder	Idaho Code section 14-510
Illinois	5 Years	No Contact	Ill. Rev. Stat. ch. 765, section 1025/2
Indiana	3 Years*	Unclaimed Dividend or No Contact and Lost Shareholder	Ind. Code section 32-34-1-20
Iowa	3 Years	Unclaimed Dividend and Lost Shareholder	Iowa Code section 556.5
Kansas	5 Years	Unclaimed Dividend or No Contact and Lost Shareholder	Kan. Stat. Ann. section 58-3935
Kentucky	3 Years*	No Contact (Demand Property or Contact in Writing)	Ky. Rev. Stat. section 393.064
Louisiana	3 Years*	Unclaimed Dividend or RPO or Discontinued Mailing	La. Rev. Stat. Ann. section 9:154
Maine	3 Years*	Unclaimed Dividend or RPO or Discontinued Mailing	Maine Rev. Stat. Ann. tit. 33, section 1953
Maryland	3 Years*	No Contact	Md. Commercial Code Ann. section 17-301
Massachusetts	3 Years	Unclaimed After Prescribed Date of Payment or Delivery	Mass. Gen. Laws. Ann. ch. 200A, section 5
Michigan	3 Years	Unclaimed Dividend and Lost Shareholder	Mich. Comp. Laws section 567.231a
Minnesota	3 Years	No Contact	Minn. Stat. section 345.35
Mississippi	5 Years	5 Unclaimed Dividends and No Contact	Miss. Code Ann. section 89-12-11
Missouri	7 Years	Unclaimed Dividend or No Contact and Lost Shareholder	Mo. Rev. Stat. section 447.520
Montana	5 Years	Unclaimed Dividend or RPO or Discontinued Mailing	Mont. Code Ann. section 70-9-803
Nebraska	5 Years	Unclaimed Dividend or No Contact and Lost Shareholder	Neb. Rev. Stat. section 69-1305
Nevada	3 Years	Unclaimed Dividend or RPO or Discontinued Mailing	Nev. Rev. Stat. section 120A.500
New Hampshire	3 Years	Unclaimed Dividend or RPO	N.H. Rev. Stat. Ann. section 471-C:10
New Jersey	3 Years*	Unclaimed Dividend or RPO or Discontinued Mailing	N.J. Rev. Stat. section 46:30B-31
New Mexico	5 Years	Unclaimed Dividend or RPO or Discontinued Mailing	N.M. Stat. Ann. section 7-8A-2
New York	3 Years	RPO	N.Y. Abandoned Property Law section 300
North Carolina	3 Years	Unclaimed Dividend or RPO or Discontinued Mailing	N.C. Gen. Stat. section 116B-53
North Dakota	3 Years	No Contact and 3 Unclaimed Dividends	N.D. Cent. Code section 47-30.1-10
Ohio	5 Years	Unclaimed Divided or No Contact	Ohio Rev. Code Ann. section 169.02
Oklahoma	3 Years	Unclaimed Dividend or RPO	Okla. Stat. tit. 60, section 655
Oregon	3 Years	Unclaimed Dividend and No Contact and Notice Sent	Ore. Rev. Stat. section 98.322
Pennsylvania	3 Years	Unclaimed Dividend	Pa. Stat. tit. 72, section 1301.6
Rhode Island	5 Years	Unclaimed Dividend or No Contact and 5 Unclaimed Dividends	R.I. Gen. Laws section 33- 21.1-10
South Carolina	3 Years	Unclaimed Dividend or RPO or Discontinued Mailing	S.C. Code Ann. section 27-18-110
South Dakota	3 Years	Unclaimed dividend or No Contact and 3 Unclaimed Dividends	S.D. Codified Laws Ann. section 43-41B-10
Tennessee	3 Years	Unclaimed Dividend or Known to Be Dead	Tenn. Code Ann. section 66-29-107
Texas	3 Years	Unclaimed Dividend or RPO	Texas Property Code Ann. section 72.101
Utah	3 Years*	Unclaimed Dividend and Lost Shareholder	Utah Code Ann. section 67-4a-208
Vermont	3 Years*	Unclaimed Dividend or RPO or Discontinued Mailing	Vt. Stat. Ann. tit. 27, section 1242
Virginia	5 Years	Unclaimed Dividend or RPO or Discontinued Mailing	Va. Code section 55-210.6:1
Washington	3 Years	5 Unclaimed Dividends	Wash. Rev. Code section 63.29.100
West Virginia	5 Years	Unclaimed Dividend or RPO or Discontinued Mailing	W. Va. Code section 36-8-2
Wisconsin	3 Years	Unclaimed Dividend or RPO	Wis. Stat. section 177.10
Wyoming	3 Years*	Unclaimed Dividend and Lost Shareholder	Wyo. Stat. section 34-24-111

* Changed from 5 Years to 3 Years since 1998.

Appendix B.
Liquidation Periods

State	How Long Until Liquidation Permitted	Entitled to Appreciation?	Citation
Alabama	Upon Receipt	No	Ala. Code section 35-12-80(b)
Alaska	After 1 Year	No	Alaska Stat. section 34.45.360(c)
Arizona	Within 3 Years	No	Ariz. Rev. Stat. Ann. section 44-312
Arkansas	Within 3 Years	Within 3 Years	Ark. Stat. Ann. section 18-28-212
California	18 Months		Calif. Civ. Proc. Code section 1563
Colorado	After 1 Year	No	Colo. Rev. Stat. section 38-13-115
Connecticut	None	No	Conn. Gen. Stat. section -68a
Delaware	None	No	Del. Code Ann. tit. 12, section 1204
Florida	None	No	Fla. Stat. Ann. section 717.122
Georgia	Within 3 Years	No	Ga. Code Ann., section 44-12-217
Hawaii	Within 3 Years	Within 3 Years	Hawaii Rev. Stat. section 523A-13
Idaho	Within 3 Years	No	Idaho Code section 14-522
Illinois	Within Reasonable Time	No	Ill. Rev. Stat. ch. 765, section 1025/17
Indiana	Within 3 Years	No	Ind. Code section 32-34-1-31
Iowa	After 1 Year	No	Iowa Code section 556.17
Kansas	After 6 Months and Within 1 Year	No	Kan. Stat. Ann. section 58-3955
Kentucky	Within 3 Years	Within 3 Years	Ky. Rev. Stat. section 393.125
Louisiana	After 3 Years for Stock[a]	Within 3 Years	La. Rev. Stat. Ann. section 9:164
Maine	90 Days After Advertised	Within 1 Year	Maine Rev. Stat. Ann. tit. 33, section 1963
Maryland	Within 1 Year	No	Md. Commercial Code Ann. section 17-316
Massachusetts	After 3 Years	Within 3 Years	Mass. Gen. Laws. Ann. ch. 200A, section 9
Michigan	Within 1 Year	No	Mich. Comp. Laws section 567.243
Minnesota	Within 1 Year	No	Minn. Stat. section 345.47
Mississippi	After 3 Years	Within 3 Years	Miss. Code Ann. section 89-12-30
Missouri	Within 2 Years	No	Mo. Rev. Stat. section 447.558
Montana	Within 3 Years	Within 3 Years	Mont. Code Ann. section 70-9-812
Nebraska	After 3 Years	No	Neb. Rev. Stat. section 69-1316
Nevada	Any Time	No	Nev. Rev. Stat. section 120A.610
New Hampshire	After 1 Year	Within 1 Year	N.H. Rev. Stat. Ann. section 471-C:24
New Jersey	After 1 Year	Within 1 Year and After	N.J. Rev. Stat. section 46:30B-71
New Mexico	Within 3 Years	Within 3 Years	N.M. Stat. Ann. section 7-8A-12
New York	Within 15 Months	No	N.Y. Aband. Prop. Law section 1403
North Carolina	Within 3 Years	Within 3 Years	N.C. Gen. Stat. section 116B-65
North Dakota	After 3 Years	No	N.D. Cent. Code section 47-30.1-22
Ohio	Anytime	No	Ohio Admin. Code 1301:10-5-02
Oklahoma	Anytime	No	Okla. Stat. tit. 60, section 667
Oregon	Anytime	No	Ore. Rev. Stat. section 98.382
Pennsylvania	Upon Receipt	No	Pa. Stat. tit. 72, section 1301.17
Rhode Island	After 1 Year	Within 1 Year	R.I. Gen. Laws section 33-21.1-22
South Carolina	After 3 Year	Within 3 Years	S.C. Code Ann. section 27-18-230
South Dakota	After 3 Years	After 3 Years	S.D. Codified Laws Ann. section 43-41B-23
Tennessee	Upon Receipt		Tenn. Code Ann. section 66-29-119
Texas			
Utah	Upon Receipt	No	Utah Code Ann. section 67-4a-403
Vermont	Within 1 Year	No	Vt. Stat. Ann. tit. 27, section 1252
Virginia	After 1 Year	Within 1 Year	Va. Code section 55-210.18
Washington	Upon Receipt	No	Wash. Rev. Code section 63.29.220
West Virginia	Within 3 Years	Within 3 Years	W. Va. Code section 36-8-12
Wisconsin	After 1 Year	No	Wis. Stat. section 177.22
Wyoming	After 3 Years	Within 3 Years	Wyo. Stat. section 34-24-123

[a]1 Year for Securities.

✰