

SENATE THIRD READING

SB 1288 (Laird)

As Amended June 8, 2026

Majority vote

SUMMARY

Amends the Uniform TOD (transfer-on-death) Security Registration Act to facilitate the transfer of securities to a decedent's intended beneficiaries by, among others, requiring the registering entity that holds the securities to notify the beneficiary, as specified, and streamlining the process by which a beneficiary submits a claim and receives the bequeathed securities.

Major Provisions

- 1) Requires a registering entity, as defined, that receives information establishing the death of an owner of securities held by the registering entity to initiate its beneficiary notification process and, upon receipt of information establishing death of *all* owners of the security, to make a reasonable and good-faith effort to notify each beneficiary within 60 days of learning of the owner's death.
- 2) Specifies, for purposes of 1) above, that "reasonable and good-faith effort" may include acting on information provided in the client's records and any information provided by the decedent, executor, trustee, or other credible source.
- 3) Permits a beneficiary that is a nonprofit corporation, a charitable trust, or an entity exempt from federal taxation [charitable entity] to establish its identity by providing the registering entity with its federal employer identification number (EIN), telephone number, and mailing address, and prohibits the registering entity from requiring an individual associated with the entity to provide personal identifying information, except as specified.
- 4) Permits a charitable entity to demonstrate its entitlement to a security by providing all of the following documentation:
 - a) Proof of decedent's death through a provision of a copy of a death certificate, Consular Report of Death Abroad, or a presumption of death order.
 - b) A copy of a nonprofit entity's Internal Revenue Service tax-exempt status letter, as applicable.
 - c) The entity's EIN and contact information.
 - d) A completed Internal Revenue Service Form W-9 request for taxpayer identification number and certificate.
- 5) Prohibits a registering entity from requiring a charitable entity to provide information about a decedent owner other than what is reasonably necessary to identify the decedent and the security. Specifies that the inability of the charitable entity to provide personal data of a decedent owner, such as a social security number, shall not be grounds for denial of a claim.
- 6) Provides that a security may be disbursed to a beneficiary through check, fund transfer, or another method that does not require the beneficiary to open an account.

- 7) Requires the registering entity to transfer the beneficiary's share within 60 days of the beneficiary providing all required documentation and completing the registering entity's process. Specifies that the beneficiary shall not be required to wait for any other beneficiary to act before transfer, unless delay is legally required due to outstanding liens, levies, or court orders affecting the estate or account. Any such legal impediment to transfer shall be disclosed to the beneficiary upon inquiry.
- 8) Provides that a registering entity is not required to comply with the requirements imposed by this bill if doing so would cause the registering entity to violate federal or state law, including the rules of a self-regulatory organization registered under the federal Securities Exchange Act, or any promulgated regulations. However, a violation of internal policy or guideline does not excuse compliance unless the policy or guideline is required under the Federal Securities Exchange Act or promulgated regulations. Specifies that if compliance with the provisions of this bill is not required, the registering entity shall notify the beneficiary of the specific legal authority for noncompliance.
- 9) Shields a registering entity that complies documentation requirements in this bill from all claims to the security by the estate, creditors, heirs, or devisees or a deceased owner, as specified.
- 10) Specifies that the provisions of this bill are prospective, applying only where the death of the owner (or all owners if more than one) occurred after January 1, 2027.

COMMENTS

In 1998, following a national trend and the recommendations of the California Law Revision Commission (CLRC), California adopted the "Uniform TOD Securities Registration Act." The Act allows an owner of securities to register title in TOD ("transfer-on-death") form and to designate a beneficiary who will take the securities upon the death of the owner. The Uniform TOD Act creates a mechanism for efficiently passing property to intended beneficiaries without the need of going through the probate and estate administration process, which can be both costly and time consuming. While the intent of the Uniform TOD Securities Registration Act may have been to facilitate the easier transfer of securities to the intended beneficiary, the supporters of this bill contend that the transfer under existing law is anything but easy. Because existing law is silent on the registering entity's duty to notify beneficiaries and does not specifically state what the beneficiary must do to claim the property, the process is currently left to internal policies established by the registering entity. According to the author and supporters, the registering entities, in recent years, have failed to provide notice to beneficiaries when the account owner dies, which means that the funds lie dormant in the account and, if not claimed, revert to the decedent's estate to be administered in probate or, in some cases, escheat to the state as unclaimed property.

In addition, the nonprofit charitable organizations that support this bill point out that, even when they have effective notice of the owner's death, the registering entity's policies and procedures delay the process, including excessive documentation requests and requirements that multiple beneficiaries coordinate their claims. This bill amends the Uniform TOD Act in order to address the concerns of beneficiaries and to better achieve the animating purpose of Act, which was to avoid probate and provide a more efficient and less time-consuming method for transferring a decedent's property to the intended beneficiary. The bill does this in three ways.

First, the bill requires the registering entity to make a "reasonable and good-faith effort" to notify a beneficiary within 60 days of learning of the account owner's death. Although the bill does not define "reasonable and good-faith effort," it does specify that a reasonable and good faith effort "may include" acting on information provided by the decedent, executor, trustee, or other credible source. At a minimum, the registering entity would consult its records to identify all beneficiaries and use whatever contact information they have on hand to notify the beneficiary. The bill does not expressly state what *more* the registering entity must do, for example, if the contact information for the beneficiary either does not exist or is no longer valid. Presumably a "reasonable a good-faith effort" would require some effort on the part of the registering entity to identify the exact beneficiary (if there is some ambiguity as to identity) and make reasonable efforts to discover the beneficiary's contact information. However, a "reasonable and good faith effort" would not require the registering entity to conduct an extensive investigation to track down the beneficiary. To be sure, what constitutes "reasonable" and "good faith" is somewhat subjective, but these are terms that are used throughout the code and assume a common-sense reading.

Second, the bill imposes limits on the documentation that the registering entity can demand when the beneficiary is a charitable entity. Existing law merely says that "on proof of death of all owners and compliance with any requirements of the registering entity," the security shall be reregistered and transferred to the beneficiary. Existing law expressly authorizes the registering entity to establish terms and conditions for proving death, avoiding or resolving problems concerning fractional shares, and verifying the identity of intended beneficiaries. Notwithstanding the ability of the registering entity to set those terms and conditions under existing law, this bill would impose some restraints on what kinds of documentation that the registering entity may require of a charitable organization. For example, the bill allows a charitable organization to demonstrate its entitlement to the securities by providing proof of the decedent's death, a copy of the nonprofit entity's Internal Revenue Service tax-exempt status letter, the entity's employment identification number (EIN), and contact information. Proof of death is satisfied by a copy of an official death certificate, a Consular Report of Death Abroad, or a presumption of death court order. Once this information has been provided, the bill prohibits the registering entity from requiring personal information from any employee or other individual associated with the charitable entity.

Third, the bill ensures that once any beneficiary has provided proper documentation, the property will be transferred in a timely manner, including by not requiring the beneficiary to open an account with the registering entity. The bill also requires the registering entity to make "reasonable" efforts to streamline the transfer of securities and, where there is more than one beneficiary, prohibits the registering entity from requiring simultaneous submission of claims or coordination of deadlines. Moreover, once one beneficiary has provided proof of death, the registering entity must commence the notification process without requiring all beneficiaries to provide notice of death. Once documentation and other requirements have been satisfied, the bill requires the registering entity to transfer the property to the beneficiary within 60 days, unless there is some legal impediment (such as outstanding liens or court orders affecting the property) that justifies a delay.

Because registering entities and the accounts they handle are subject to state and federal laws, including the federal Securities Exchange Act, the bill appropriately specifies that compliance with the bill's provisions is not required if it would cause a registering entity to violate state or federal law. However, if the registering entity fails to comply with the bill for this reason, it must

notify the beneficiary of the specific legal authority for noncompliance. Finally, the bill shields the registering entity that complies with the provisions of this bill from all claims to the security by the estate, creditors, heirs, or devisees of the deceased owner.

According to the Author

When someone names a beneficiary, whether a family member, loved one, or nonprofit they believe in, they're expressing their values and the legacy they hope to leave behind. We have a responsibility to honor that dying wish. Senate Bill 1288 ensures that beneficiaries are made aware of funds left to them, sets reasonable verification standards, and streamlines administrative barriers to ensure gifts reach loved ones and the communities they were intended to serve without unnecessary hurdles or delays.

Arguments in Support

California's nonprofit entities supports SB 1288 because it will "protect donor intent and ensure that charitable beneficiary designations are honored efficiently and without unnecessary administrative barriers." According to the nonprofit coalition, under existing law "financial institutions are not legally required to notify charitable beneficiaries or individuals when an account holder passes away, so millions of dollars in intended impact are at risk. SB 1288 solves this concerning loophole for nonprobate assets." Further:

When Californians designate nonprofits as beneficiaries of their retirement and brokerage accounts, they do this with a clear expectation: that their hard-earned legacy will support a charitable cause they love—swiftly, privately, and without burdensome financial red tape.

Nonprofit staff should not have to spend weeks, months, or even years submitting duplicate paperwork, responding to requests that exceed what is reasonably necessary to verify a nonprofit's identity, or attempting to resolve conflicting instructions from financial institutions unfamiliar with nonprofit governance structures. These delays divert scarce nonprofit staff time away from the very community services donors intended to support. SB 1288 introduces measured, common-sense reforms to ensure charitable designations are administered transparently and efficiently. This bill does not create new rights; it simply ensures existing ones are honored.

Arguments in Opposition

Organizations representing the banking and financial services industry oppose this bill unless it is significantly amended. While the opponents appreciate the author's desire to streamline the process for transferring security assets to the intended beneficiaries, outside of the probate process, they remain concerned with several of the bill's provisions. Specifically the opposition argue that the (1) The bill should be narrowed to apply only to charitable beneficiaries; (2) the bill's "reasonable and good faith" obligation to notify beneficiaries should be eliminated to address operational, misidentification, and other concerns; (3) the time for notifying the beneficiary that the registering entity cannot comply due to a conflict with federal or state law should be extended from 30 days to 60 days, and (4) more generally that the bill needs to take greater cognizance of the variety of issues that could delay the transfer of assets.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, potential court cost pressures of minor and absorbable amount (Trial Court Trust Fund (TCTF), General Fund (GF)). This bill establishes new enforceable duties, standards, and deadlines applicable to registering entities.

Disputes over compliance, timing, share allocation, and the meaning of the good-faith standard would accordingly be resolved in the superior courts. The Judicial Council has reported no anticipated costs.

VOTES

SENATE FLOOR: 37-0-3

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Jones, Niello, Padilla

ASM JUDICIARY: 11-1-0

YES: Kalra, Bauer-Kahan, Bryan, Connolly, Dixon, Harabedian, Pacheco, Papan, Sanchez, Stefani, Zbur

NO: Macedo

ASM APPROPRIATIONS: 12-1-2

YES: Wicks, Arambula, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover

ABS, ABST OR NV: Ta, Tangipa

UPDATED

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CONSULTANT: Tom Clark / JUD. / (916) 319-2334

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