

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Judiciary

BILL: CS/SB 390

INTRODUCER: Judiciary Committee and Senator Richter

SUBJECT: Fraud

DATE: February 18, 2015 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Davis	Cibula	JU	Fav/CS
2.			CJ	
3.			ACJ	
4.			FP	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 390 amends and updates multiple provisions in chapter 817, F.S., which defines and provides penalties for crimes involving fraudulent practices. The most significant provisions of the bill:

- Prohibit a person from falsely personating or representing another person in a manner that causes damage to the other person's credit history or rating;
- Authorize a sentencing court to order restitution for costs and fees an identity theft victim incurs in clearing his or her credit history or rating or similar costs and establishes a civil cause of action against the defendant who has harmed the victim;
- Provide a process for an identity theft victim to obtain documentation of an alleged fraudulent transaction from a business entity and makes the business entity immune from liability for disclosures made in good faith;
- Replace the terms "corporation" with the term "business entity" to ensure that all businesses, regardless of their form, have the same protections against fraud;
- Prohibit the fraudulent transfer or issuance of a membership interest in a limited liability company;
- Increase the criminal penalty for fraudulently obtaining goods or services from a health care provider;
- Make existing laws prohibiting the fraudulent use of an individual's personal identification information also applicable to the fraudulent use of a business' identification information;

- Specify criminal penalties for the fraudulent use or intent to use the identification information of a dissolved business entity; and
- Specify criminal penalties for knowingly providing false information in a public record to facilitate the commission of another crime.

II. Present Situation:

Chapter 817, F.S., Fraudulent Practices, contains a collection of criminal offenses that involve the use of fraud. In general terms, fraud is the willful act of misrepresenting the truth to someone or concealing an important fact from them for the purpose of inducing that person to act to his or her detriment.¹ Identity fraud, which is also known as identity theft, is a criminal act that occurs when a person illegally obtains someone else's personal information and uses that information to commit fraud or theft.² Identity thieves often take names, Social Security numbers coupled with birth dates, birth and death certificates, bank account and credit card numbers, and passwords³ to obtain credit and credit cards, drain money from bank accounts, establish new accounts, apply for loans using the victims' names, and commit other crimes to enrich themselves.⁴ Operating under anonymity and hidden from view, identity thieves often ruin someone's finances and credit long before they are discovered.

Individual or Consumer Identity Theft

An unsuspecting person might not realize that he or she has been the victim of an identity theft until months, or sometimes even years, after the fraud has occurred. The loss of personal identification information⁵ can have devastating effects. Reconstructing the events and obtaining records of the fraud is often a very difficult task. The *Florida Statutes* do not appear to specifically require businesses to give victims of identity theft or law enforcement officers documents related to the alleged fraudulent use of the victim's identity. Accordingly, it can be a difficult task for victims to collect the necessary documents to restore their identity and credit history.

¹ BLACK'S LAW DICTIONARY 731 (9th ed. 2009).

² The Federal Bureau of Investigation, *Identity Theft Overview*, http://www.fbi.gov/about-us/investigate/cyber/identity_theft/identity-theft-overview (last visited Feb. 9, 2015).

³ *Id.*

⁴ Florida Office of the Attorney General, *About Identity Theft Crimes*, <http://myfloridalegal.com/pages.nsf/Main/932BC47213C29D3385256DBB0048479D?OpenDocument> (last visited Feb. 9, 2015).

⁵ Section 817.568(1)(f), F.S., states that "personal identification information" means any name or number that may be used, alone or in conjunction with any other information, to identify a specific individual, including any:

1. Name, postal or electronic mail address, telephone number, social security number, date of birth, mother's maiden name, official state-issued or United States-issued driver license or identification number, alien registration number, government passport number, employer or taxpayer identification number, Medicaid or food assistance account number, bank account number, credit or debit card number, or personal identification number or code assigned to the holder of a debit card by the issuer to permit authorized electronic use of such card;
2. Unique biometric data, such as fingerprint, voice print, retina or iris image, or other unique physical representation;
3. Unique electronic identification number, address, or routing code;
4. Medical records;
5. Telecommunication identifying information or access device; or
6. Other number or information that can be used to access a person's financial resources.

Business Identity Theft

The crime of business identity theft is virtually the same as personal identity theft except that a business's identity is stolen. Quite often, the losses are much greater and sometimes involve a more sophisticated network of thieves. Some thieves have also resorted to taking the identity of businesses that are dissolved and using that identity to commit fraud. Because several of the fraud statutes in chapter 817, F.S., apply only to "individuals" and not to persons or business entities, some businesses do not currently enjoy the same protections against fraud that individuals do under the chapter.

Additional Fraud Provisions in Chapter 817

Many of the provisions in chapter 817, F.S., have not been substantially revised since they were enacted decades ago. As a result, some of these statutes do not reflect more modern methods of advertising and manufacturing, the use of public records, the occurrence of electronic transactions over the Internet, and the different forms of business entities that are currently authorized by law.

III. Effect of Proposed Changes:

The bill amends chapter 817, F.S., to allow individuals and businesses greater protections against identity theft. In general terms, these changes affect individuals by allowing them to better identify when identity theft has been committed against them and by removing barriers to restoring their identity and credit after the crime has occurred. Additional forms of restitution are provided which might allow the victims additional methods of recovering their financial losses. For business entities,⁶ the bill provides greater protections against fraud and identity theft. The bill also amends a number of miscellaneous provisions in chapter 817, F.S., to update them to reflect modern terminology, currently authorized business structures, and current business practices.

Identity Theft Committed Against Individuals (Section 2)

Obtaining Property by False Personation

The crime of obtaining property by false personation is expanded to address falsely personating or representing another person in a manner that damages the credit history or credit rating, or otherwise causes harm to the other person. A person who commits this crime is subject to the criminal penalties for larceny.⁷ This new provision does not apply to crimes defined in s. 817.568, F.S., which prohibits the fraudulent uses of another's personal identification information.

⁶ The bill defines the term "business entity" for purposes of chapter 817, F.S., and replaces current references to "corporation" or "firm" throughout the chapter with "business entity." A business entity is defined to mean any corporation, partnership, limited partnership, company, limited liability company, proprietorship, firm, enterprise, franchise, association, self-employed individual, or trust, whether fictitiously named or not, doing business in this state.

⁷ Larceny is not currently defined in statute. Acts that were previously referred to as larceny are now prosecuted as theft crimes under s. 812.014, F.S. The punishments are commensurate with the monetary value involved in the crime.

Additional Restitution for Victims

This section is further amended to allow a court, when sentencing a defendant under this section, to order restitution⁸ for the victim's out-of-pocket costs, including attorney fees and fees associated with certified public accountant services that the victim incurred clearing his or her credit history or credit rating, or costs incurred with a civil or administrative proceeding to satisfy a debt, lien, or other obligation that arises from the defendant's actions. The sentencing court may also issue orders necessary to correct any public record that contains false information given in violation of s. 817.02, F.S. This section also creates a civil cause of action against a person who violates this section as provided in s. 772.11, F.S., which creates a civil remedy for a victim of theft or exploitation.

Information Made Available to Identity Theft Victims (Section 3)

Section 817.032, F.S., is newly created and establishes procedures for victims⁹ of identity theft to obtain documentation of fraudulent applications submitted or fraudulent transactions by perpetrators of identity theft.

The Process

Within 30 days after a victim's request, and subject to verification of the victim's identity and identity theft claim, a business entity that has entered into an alleged fraudulent transaction or accepted a fraudulent application must provide a copy of the application and business transaction records, which evidence a transaction of alleged identity theft, to:

- The victim;
- A law enforcement agency or officer designated by the victim in the request; or
- A law enforcement agency investigating the identity theft who is authorized by the victim to receive those records.

Identifying Information

Before the business entity is required to provide the requested application or transaction records, the victim must provide certain forms of identifying information to the business, unless the business has a high degree of confidence that it knows the identity of the victim making the records request. The victim must also provide to the business a proof of a claim of the identity theft, which includes a copy of the police report of the claim or an affidavit of fact.

Request Requirements

The request to the business must be in writing, mailed or delivered to an address specified by the business. If the business entity so requests, the victim must include relevant information about

⁸ The sentencing court may order restitution under this section that is in addition to restitution permitted under s. 775.089, F.S. Under that provision, a judge is required to order the defendant to make restitution to the victim for damage or loss caused by the defendant's offense and damage or loss that is related to the defendant's criminal episode, unless the court finds clear and compelling reasons not to order the restitution. The restitution may be monetary or nonmonetary.

⁹ A victim is defined in this section as a person whose identification or financial information is used or transferred or alleged to be used or transferred without his or her consent with the intent to commit, aid, or abet an identity theft or similar crime.

the alleged transaction including the date of the application or transaction if that is known or readily obtainable by the victim and any other identifying information such as an account number or transaction number. The information required to be provided to the victim must be provided at no charge to the victim.

Authority to Decline a Request

A business entity may decline to provide the information requested by the victim if the business, in exercising good faith, determines that:

- This provision of law does not require disclosure of the requested information;
- After reviewing the victim's identification materials and alleged claim, the business does not have a high degree of confidence that it knows the true identity of the person requesting the information;
- The request is based upon a misrepresentation of fact by the requestor; or
- The information requested is Internet navigational data or similar information involving a person's visit to a website or online service.

Civil Liability, Recordkeeping Requirement, Affirmative Defense

A business entity is shielded from civil liability for disclosing information under this section if the disclosure is made in good faith and in accordance with the provisions of this section. The bill expressly does not impose any recordkeeping obligations on business entities. If a civil action is brought for the purpose of enforcing a person's right to a business entity's records, it is an affirmative defense for a business entity to file an affidavit or answer which states that the entity has made a reasonably diligent search of its available business records and the records that have been requested do not exist or are not reasonably available.

Identity Theft Committed Against Businesses (Section 16)

The Criminal Use of Personal Identification Information

Existing s. 817.568, F.S., sets forth criminal offenses involving the use of another's personal identification information. In particular, ss 817.568(2), (4), and (9), F.S., establish several criminal offenses that involve the illegal use of an individual's personal identification information.¹⁰ Because the section defines an "individual" in s. 817.568(1)(d), F.S., as "a single human being and does not mean a firm, association of individuals, corporation, partnership, joint venture, sole proprietorship, or any other entity," ss (2), (4), and (9) *only apply to individuals*, not

¹⁰ Section 817.568(1)(f), F.S., states that "personal identification information" means any name or number that may be used, alone or in conjunction with any other information, to identify a specific individual, including any:

1. Name, postal or electronic mail address, telephone number, social security number, date of birth, mother's maiden name, official state-issued or United States-issued driver license or identification number, alien registration number, government passport number, employer or taxpayer identification number, Medicaid or food assistance account number, bank account number, credit or debit card number, or personal identification number or code assigned to the holder of a debit card by the issuer to permit authorized electronic use of such card;
2. Unique biometric data, such as fingerprint, voice print, retina or iris image, or other unique physical representation;
3. Unique electronic identification number, address, or routing code;
4. Medical records;
5. Telecommunication identifying information or access device; or
6. Other number or information that can be used to access a person's financial resources.

business entities. Therefore, if a person uses the personal identification information of a business, that person is not subject to the penalties set forth in the statute.

The bill amends s. 817.568, F.S., by replacing references to “individual” with “person.” “Person” is defined in s. 817.568(1)(e), F.S., as having the same definition found in s. 1.01(3), F.S., which “includes individuals, children, firms, associations, joint adventures, partnerships, estates, trusts, business trusts, syndicates, fiduciaries, corporations, and all other groups or combinations.” Accordingly, the bill makes the criminal penalties in s. 817.568, F.S., applicable to include those who unlawfully use the personal identification information of a business entity to commit certain fraudulent acts.

As under existing s. 816.568(2), F.S., the penalties for the fraudulent use of identification information, which under the bill includes the fraudulent use of a business’ identification information, increase with the magnitude of the fraud. At a minimum, the crime is a third degree felony.¹¹ Whoever fraudulently uses personal identification information:

- Commits a second degree felony¹² if the financial amount involved is equal to or greater than \$5,000 or the thief fraudulently uses the personal identification of 10 to 19 individuals, without their consent. The court must then sentence the defendant to a mandatory minimum sentence of 3 years. (s. 816.568(2)(b), F.S.)
- Commits a first degree felony¹³ if the financial amount involved is \$50,000 or more or the personal identification of 20 to 29 individuals is used without their consent. The accompanying mandatory minimum sentence is 5 years. (s. 816.568(2)(c), F.S.)
- Commits a first degree felony if the financial amount involved is \$100,000 or more or the personal identification information of 30 or more people is used without their consent. The mandatory minimum sentence is 10 years. (s. 816.568(2)(c), F.S.)

Harassment by Use of Personal Identification Information

Existing s. 817.568(4), F.S., provides a first degree misdemeanor¹⁴ penalty when someone willfully and without authorization possesses, uses, or attempts to use an individual’s personal identification information without his or her consent and does so to harass that person. The bill replaces the term “individual” with the term “person.” This change expands the application of this statute to include someone who unlawfully uses the personal identification information of a business entity to harass someone.

Prohibited Use of Counterfeit or Fictitious Personal Identification Information

Existing s. 817.568(9), F.S., provides a third degree felony penalty for a person who willfully and fraudulently creates or uses, or possesses with the intent to fraudulently use, counterfeit or

¹¹ A third degree felony is punishable by up to 5 years imprisonment and a fine of up to \$5,000, pursuant to ss. 775.082 and 775.083, F.S.

¹² A second degree felony is punishable by up to 15 years imprisonment and a fine of up to \$10,000, pursuant to ss. 775.082 and 775.083, F.S.

¹³ A first degree felony is punishable by up to 30 years imprisonment and a fine of up to \$10,000, pursuant to ss. 775.082 and 775.083, F.S.

¹⁴ A first degree misdemeanor is punishable by a term not to exceed 1 year imprisonment and a fine of up to \$1,000, pursuant to ss. 775.082 and 775.083, F.S.

fictitious personal identification information concerning a fictitious individual, or concerning a real individual without that real individual's consent with the intent to commit or facilitate a fraud on another person. The bill replaces the term "individual" with the term "person." This change expands the application of the statute to include a person who unlawfully uses the personal identification information of a business entity.

Using the Personal Identification Information of Deceased Individuals or Dissolved Business Entities

Existing s. 817.568(8), F.S., currently prohibits the fraudulent use of a deceased individual's personal identification information. This bill expands that section to include and prohibit the fraudulent use of a dissolved business entity's personal identification information. The severity of the offense, as discussed below, depends on the monetary amount and the number of individuals or business entities involved.

Section 817.568(8)(a) F.S., is amended and creates a third degree felony penalty for a person who willfully and fraudulently uses, or possesses with the intent to fraudulently use, the personal identification information of a deceased individual or a dissolved business entity. Whoever fraudulently uses the personal identification information of a deceased individual or a dissolved business entity:

- Commits a second degree felony, if the monetary amount involved is \$5,000 or more or the person uses the personal identification information of 10 to 19 deceased individuals or dissolved business entities. The mandatory minimum sentence is 3 years. (s. 817.658(8)(b), F.S.)
- Commits a first degree felony, the crime of aggravated fraudulent use of the personal identification information of multiple deceased individuals or dissolved business entities, if the monetary amount is \$50,000 or more, or the perpetrator fraudulently uses the personal identification of 20 to 29 deceased individuals or dissolved business entities. The accompanying mandatory minimum sentence is 5 years of imprisonment. If the monetary amount involved is \$100,000 or more, or the person fraudulently uses the personal identification information of 30 or more deceased individuals or business entities, the mandatory minimum sentence is 10 years. (s. 817.568(8)(c), F.S.)

Replacing the term "Corporation" with the Term "Business Entity" (Sections 1, 6, 10, and 12)

The first section of the bill defines a "business entity" for purposes of chapter 817, F.S., to mean "any corporation, partnership, limited partnership, company, limited liability company, proprietorship, firm, enterprise, franchise, association, self-employed individual, or trust, whether fictitiously named or not, doing business in this state." In section 6, which involves false entries in the books of a business entity; section 10, which involves simulated forms involving the official seal or stationery of a state agency or fictitious state agency; and section 12, which involves false information and advertising; references to a "corporation" have been replaced with the word "business entity." Therefore, a broader spectrum of business organizations are now protected by the fraud provisions of those subsections and subject to criminal penalties for violations of these laws.

False, Misleading, and Deceptive Advertising and Sales (Section 11)

Existing s. 817.40, F.S., contains the definitions for use in construing the statutes involving false, misleading, and deceptive advertising and sales. The bill amends the definition of “misleading advertising” in s. 817.40(5), F.S., to include statements disseminated in “electronic” form.

False Information and Advertising (Section 12)

Existing s. 817.411, F.S., prohibits false advertisements, announcements, or statements regarding certain items of value being covered by insurance guaranties where there is no insurance or the insurance does not insure against the risks covered. The statute lists a variety of methods used to disseminate this information before the public. The bill amends this section to cover the electronic dissemination of those false claims.

Sale of Used Goods as New (Section 13)

Section 817.412, F.S., currently establishes a first degree misdemeanor penalty for a person who sells goods that exceed \$100 and misrepresents them as being new or original when they are used, repossessed, or have been used for a sales demonstration. The bill amends this section to include goods that are misrepresented using an electronic medium.

Fraudulently Obtaining Goods or Services from a Health Care Provider (Section 15)

Section 817.50, F.S., currently provides a second degree misdemeanor penalty for anyone to willfully and with intent to defraud, obtain or attempt to obtain goods, products, merchandise, or services from a health care provider in this state. The bill increases the penalty level of this crime to a third degree felony.

Criminal Use of a Public Record or of Public Records Information (Section 17)

Section 817.569, F.S., currently makes it a first degree misdemeanor for a person to knowingly use a public record or knowingly use information obtainable only through that public record to commit or further the commission of a first degree misdemeanor. If a person uses the record to commit a felony, the crime becomes a third degree felony. The bill amends this statute to prohibit a person from knowingly providing false information that becomes part of a public record. If the false information that becomes part of the public record facilitates or furthers the commission of a first degree misdemeanor, the penalty is a first degree misdemeanor. Similar, if a felony is involved, the punishment is a third degree felony.

Wrongful Use of a City Name and Wrongful Stamping, Marking, of a City Name (Sections 7 and 8)

Existing s. 817.17, F.S., prohibits a manufacturer in the state from marking certain articles or packages for the manufactured articles as though they originated in a certain “city” when they did not. The section does not prohibit the sale of those articles if there “be no manufactory of similar goods in the city.” The statute does not contain a criminal penalty for its violation.

The bill amends the s. 817.17, F.S., to also prohibit falsely attributing the origin of a product to any “county or other political subdivision of the state.” The bill also provides that a person who violates the statute commits a second degree misdemeanor.¹⁵

Section 817.18, F.S., provides a second degree misdemeanor penalty for anyone who knowingly sells or offers for sale, within the state, manufactured articles that have printed, stamped, marked, engraved, or branded upon them or their packaging, the name of any city other than where the articles are manufactured. If there is no “manufactory of similar goods in the city,” then the section does not apply. This section is similarly amended to include the name of any “county or other political subdivision” of the state.

Fraudulent Issue of Stock Certificate of Indicia of Membership Interest (Section 9)

Section 817.19, F.S., provides a third degree felony penalty for an officer, agent, clerk, or servant of a corporation or other person to fraudulently:

- Issue or transfer a certificate of stock of a corporation to a person not entitled to that stock; or
- Sign the certificate with the intent that it will be so issued or transferred.

This section is amended and expanded to include the fraudulent issue or transfer of any indicia of a membership interest in a limited liability company.

Criminal Punishment Code (Section 18)

The Criminal Punishment Code, Offense Severity Ranking Chart, is amended to reflect the changes made in the titles of s. 817.569(2), and s. 817.568(2)(b), F.S., under this bill.

Effective Date (Section 19)

The bill takes effect October 1, 2015.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill does not appear to affect the spending, revenues, or tax authority of cities or counties and the bill relates to criminal law. As such, the bill does not appear to be a mandate.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

¹⁵ A second degree misdemeanor is punishable by a term of imprisonment not to exceed 60 days and by a fine not to exceed \$500, according to ss. 775.082 and 775.083, F.S.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

The requirement that businesses provide victims of identity theft with records involving their theft might actually allow victims to recover economic losses and have a positive fiscal impact on those who have been the victims of identity theft. The restitution provisions in this bill, assuming that the perpetrators of identity theft have any assets, might also allow victims of identity theft to recover expenses incurred in trying to resolve issues involved in the identity theft.

C. Government Sector Impact:

The Criminal Justice Impact Conference has not determined the fiscal impact of this bill. However, by creating new crimes and increasing the penalties for existing crimes, this bill will likely have a negative impact on prison beds at the Florida Department of Corrections.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 817.02, 817.11, 817.14, 817.15, 817.17, 817.18, 817.19, 817.39, 817.40, 817.411, 817.412, 817.481, 817.50, 817.568, 817.569, and 921.0022.

This bill creates the following sections of the Florida Statutes: 817.011 and 817.032.

This bill transfers and renumbers the following sections of the Florida Statutes: 817.12 and 817.13.

IX. Additional Information:**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Judiciary on February 17, 2015:

The committee substitute makes several changes to the bill, most of which are technical changes that do not affect the meaning of the bill. One substantive change allows a sentencing court the discretion to order restitution for a victim's out-of-pocket costs

incurred by his or her certified public accountant in restoring the victim's credit or to rectify other wrongs associated with identity theft. An additional substantive change is a change of the word "consumer" to "person." This change may entitle businesses that are identity theft victims to obtain records of a fraudulent transaction from other businesses.

B. Amendments:

None.