

State Laws on Asset Forfeiture and Money Laundering

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Issue

Summarize Connecticut's laws on (1) asset forfeiture related to criminal activity and (2) money laundering.

The Office of Legislative Research is not authorized to provide legal opinions and this report should not be considered one.

Summary

In Connecticut, there are four primary statutes that authorize forfeiture of property related to criminal activity; each deals with different types of crimes. Under these statutes, property may only be subject to civil forfeiture if it is seized as a result of a lawful arrest or lawful search that resulted in an arrest, and the arrest led to a conviction or a dismissal following completion of a diversionary program. The four statutes deal with property related to:

1. non-drug crimes ([CGS § 54-33g](#));
2. drug and money laundering crimes ([CGS §§ 54-36h](#));
3. identity theft crimes ([CGS § 54-36o](#)); and
4. sexual exploitation, prostitution, and human trafficking crimes ([CGS § 54-36p](#)).

The forfeiture procedures are similar under these statutes. They differ primarily in how the state disposes of the forfeited property and uses the sale proceeds. We describe these procedures below. We also briefly describe certain other laws that authorize forfeiture in limited situations, such as for violations of the state’s racketeering law. (This report does not address other related laws that may apply in certain circumstances, such as procedures for the return of stolen property or the disposition of illegal drugs.)

According to the U.S. Treasury’s [Financial Crimes Enforcement Network](#), “[m]oney laundering involves disguising financial assets so they can be used without detection of the illegal activity that produced them.” This is done by “transform[ing] the monetary proceeds derived from criminal activity into funds with an apparently legal source.”

Connecticut law makes money laundering a crime (divided into four degrees). The penalties for money laundering range from a class A misdemeanor to a class B felony, but higher monetary fines generally apply to these crimes than would otherwise apply to these classifications. In addition to setting criminal penalties, state law addresses money laundering in various other ways, including by:

1. specifically requiring certain entities to comply with federal anti-money laundering laws;
2. requiring money transmission licensees to establish anti-money laundering programs with specific features; and
3. conditioning financial institutions’ ability to conduct certain transactions in part on whether they have adequate anti-money laundering programs, policies, and procedures and a record of compliance with anti-money laundering laws and regulations.

An overview of these state laws appears below.

Money laundering is also a federal crime, and various federal laws and regulations set recordkeeping, reporting, and related requirements for banks and other financial institutions to help prevent this activity. These laws include, among others, the Bank Secrecy Act of 1970 and its primary component, the Currency and Foreign Transactions Reporting Act (31 U.S.C. § 5311 et seq., see sidebar). Among other things, federal law requires covered institutions to report when clients engage in certain activities, such as cash transactions exceeding \$10,000 in a day or suspicious transactions that could constitute money laundering.

Federal Laws

A brief overview of federal anti-money laundering laws is available in this 2022 [report](#) from the Congressional Research Service.

More information on the Bank Secrecy Act and related resources are available on the websites of the U.S. Treasury’s [Office of the Comptroller of the Currency](#) and [Financial Crimes Enforcement Network](#).

Asset Forfeiture

Property Subject to Forfeiture

Each of the state’s primary forfeiture statutes applies to different types of property and criminal activity. Table 1 below describes the type of property subject to forfeiture under each statute.

Table 1: Property Subject to Forfeiture as Related to Criminal Activity

Forfeiture Statute	Property Subject to Forfeiture
Non-Drug Crimes (CGS § 54-33g)	Property that the state claims to be a nuisance and wishes to have destroyed or disposed of that (1) is possessed, controlled, designed, or intended for use or (2) is, was, or may be used to commit a crime or which constitutes the proceeds of a crime, other than specified crimes related to drug paraphernalia, sales, or possession
Drug and Money Laundering Crimes (CGS § 54-36h (as amended by PA 23-79, § 53); also see CGS § 54-36i)	<ul style="list-style-type: none"> • Money used or intended for use to procure, make, deliver, or distribute a controlled substance • Direct or indirect proceeds from illegally selling or exchanging a controlled substance or property derived from the proceeds of a sale or exchange (CGS §§ 21a-277 or -278) • Property used or intended for use to commit or facilitate an illegal drug sale or exchange (CGS §§ 21a-277 or -278) • Property that is the direct or indirect proceed of 1st, 2nd, or 3rd degree money laundering by a corporation, or is derived from these proceeds (CGS §§ 53a-276 to -278)
Identity Theft Crimes (CGS § 54-36o)	Property that is the direct or indirect proceed, or derived from proceeds, of one of the following crimes: <ul style="list-style-type: none"> • unlawful possession of a personal identifying information access device (CGS § 53a-127g); • 1st, 2nd, or 3rd degree identify theft or a prior identity theft crime (CGS §§ 53a-129b to -129d and former 53a-129a); • trafficking in personal identifying information (CGS § 53a-129e); • criminal impersonation (CGS § 53a-130); • obtaining a license, registration, or certificate by false statement of personal identifying information, misrepresentation, or impersonation (CGS § 21-120); or • altering a license, registration, or certificate (CGS § 21-121)

Table 1 (continued)

Forfeiture Statute	Property Subject to Forfeiture
<p>Sexual Exploitation, Prostitution, and Human Trafficking Crimes (CGS § 54-36p)</p>	<p>Money used or intended for committing, property used or intended for use to commit or facilitate, property that is a direct or indirect proceed of, or property derived from proceeds of, one of the following:</p> <ul style="list-style-type: none"> • risk of injury involving sale of a child under age 16 (CGS § 53-21(a)(3)); • 1st, 2nd, or 3rd degree promoting prostitution (CGS §§ 53a-86 to -88); • enticing a minor using an interactive computer service (CGS § 53a-90a); • voyeurism or disseminating voyeuristic material (CGS §§ 53a-189a and -189b); • human trafficking (CGS § 53a-192a); • employing or promoting a minor in an obscene performance (CGS §§ 53a-196a and -196b); • importing child pornography (CGS § 53a-196c) (PA 24-118, § 3, renames this crime as importing child sexual abuse material, effective October 1, 2024); or • commercial sexual exploitation of a minor (CGS § 53a-196i) <p>Property used or intended for use to commit or facilitate committing soliciting sexual acts (CGS § 53a-83)</p>

Forfeiture Proceedings

By law, the court must deny the state’s petition to forfeit property and return the seized property to its owner unless the criminal proceeding results in a:

1. guilty or nolo contendere (no contest) plea to any offense charged as a result of the same criminal information;
2. guilty verdict after a trial for the offense that led to the property’s seizure and it (a) was possessed, controlled, designed, or intended for use in the offense; (b) was or had been used in committing the offense; or (c) constitutes the offense’s proceeds; or
3. dismissal resulting from completion of a pretrial diversionary program (such as the accelerated rehabilitation program).

The forfeiture procedures under each of the above statutes is similar. The proceedings are civil suits in which:

1. a prosecutor seeking the forfeiture must petition the court within 90 days of the seizure of the property or money;

2. the court must identify and the state must notify the property’s owner and others with an interest in it;
3. the state must notify the victim when the forfeiture is related to sexual exploitation, prostitution, and human trafficking crimes;
4. the court must hold a hearing within two weeks after the criminal proceeding is nolle (i.e., the prosecutor decided to not pursue the prosecution), disposed of, or dismissed; and
5. the prosecutor must prove facts authorizing forfeiture by clear and convincing evidence.

All four statutes protect the rights of others with interests in the property. For forfeitures related to non-drug crimes, the law prohibits violating the rights of holders of a bona fide mortgage, assignment of lease or rent, lien, or security interest. For the other three types of forfeiture, the law prohibits forfeiting property to the extent of the interest of an owner or lienholder who did not know, and could not have reasonably known, that the property was used by someone else or intended for use or derived from criminal activity.

Three of the statutes also prohibit forfeiting property the owner used or intends to use to pay legitimate attorney’s fees for his or her criminal defense. This applies to property related to (1) drug crimes or money laundering; (2) identity theft crimes; and (3) sexual exploitation, prostitution, and human trafficking crimes.

Disposition of Forfeited Property

The four statutes differ in how the state disposes of forfeited property and uses the sales proceeds, as shown in Table 2 below.

Table 2: Disposition of Property Ordered Forfeited and Use of Sale Proceeds

Forfeiture Statute	Property Disposition	Use of Sale Proceeds
Non-Drug Crimes (CGS § 54-33g)	Destroyed or disposed of to a charitable, educational, or government entity Property or a valuable prize can also be sold under Department of Administrative Services (DAS) procedures	If the property is sold, the proceeds are first allocated to any remaining mortgage, assignment of lease or rent, lien, or security interest, and the rest goes to the General Fund. (If the property is money, it goes straight to the General Fund.)

Table 2 (continued)

Forfeiture Statute	Property Disposition	Use of Sale Proceeds
<p>Drug and Money Laundering Crimes (CGS § 54-36h (as amended by PA 23-79, § 53); also see CGS § 54-36i)</p>	<p>Public auction by DAS</p>	<p>Applied to (1) the balance of any lien preserved by the court; (2) property storage, maintenance, security, or forfeiture costs; and (3) court costs.</p> <p>Any remaining balance goes to the Drug Asset Forfeiture Account. The account's funds are distributed as follows:</p> <ul style="list-style-type: none"> • 70% to the Department of Emergency Services and Public Protection and local police departments, • 20% to the Department of Mental Health and Addiction Services, and • 10% to the Division of Criminal Justice (CGS § 54-36i).
<p>Identity Theft Crimes (CGS § 54-36o)</p>	<p>Public auction by DAS</p>	<p>Applied to (1) the balance of any lien preserved by the court; (2) property storage, maintenance, security, or forfeiture costs; and (3) court costs.</p> <p>Any remaining balance goes to the Privacy Protection Guaranty and Enforcement Account, which is used by the Department of Consumer Protection to enforce laws on protecting social security numbers and personal information and reimbursing people injured by violations of these provisions (CGS § 42-472a).</p>
<p>Sexual Exploitation, Prostitution, and Human Trafficking Crimes (CGS § 54-36p)</p>	<p>Public auction by DAS</p>	<p>Applied to (1) the balance of any lien preserved by the court; (2) property storage, maintenance, security, or forfeiture costs; and (3) court costs.</p> <p>Any remaining balance goes to the Criminal Injuries Compensation Fund, which provides compensation and restitution to victims (CGS § 54-215).</p>

Other Laws

In addition to the four statutes described above, there are other forfeiture statutes that apply in limited situations, such as under the state's Corrupt Organizations and Racketeering Activity Act (CORA). Among other things, CORA makes it a crime for anyone who has knowingly received

proceeds from a pattern of racketeering activity (including money laundering) or loan sharking to invest those proceeds in the establishment or operation of any enterprise or in any real property ([CGS §§ 53-394\(a\) & 53-395](#)). In addition to criminal penalties and fines, this law provides a process for forfeiture of (1) property acquired, maintained, or used in violation of CORA, including profits, appreciated value, and sale proceeds, and (2) any interest, claim against, or property or contractual right affording a source of influence over any enterprise the violator established, operated, controlled, conducted, or participated in ([CGS § 53-397](#)).

For other forfeiture examples, the law provides a process for the forfeiture of (1) vehicles used to commit certain environmental laws, such as illegally disposing of hazardous waste ([CGS § 22a-250a](#)) and (2) dirt bikes or mini-motorcycles that are driven in violation of municipal ordinances (state law allows larger municipalities to include forfeiture as a penalty for these violations) ([CGS § 14-390m](#)).

Money Laundering

Criminal Laws

Connecticut law makes money laundering a crime, divided into four degrees. In each case, the crime involves a person exchanging or receiving monetary instruments derived from felonious criminal conduct for other monetary instruments or equivalent property. A “monetary instrument” includes U.S. or foreign currency or coins; travelers’, personal, or bank checks; money orders; negotiable investment securities; or negotiable instruments payable to the bearer or otherwise in a form so that the instrument’s title passes on delivery. “Equivalent property” is property that may be readily converted into, or exchanged for, U.S. or foreign currency or coin, such as gold or diamonds ([CGS § 53a-275](#)).

Table 3 below describes the other elements of these crimes.

Table 3: Other Elements of Money Laundering Crimes Under Connecticut Law

Degree/ Classification	Value of Property	State of Mind Requirement
1st Degree (CGS § 53a-276 ; Class B felony)	More than \$10,000	Intent to (1) conceal that the exchanged instruments or property is derived in whole or in part from illegal drug sales or (2) help a person in such a criminal sale or to profit or benefit from it
2nd degree (CGS § 53a-277 ; Class C felony)	More than \$10,000	Same as first degree, except involving a crime other than an illegal drug sale

Table 3 (continued)

Degree/ Classification	Value of Property	State of Mind Requirement
3rd degree (CGS § 53a-278 ; Class D felony)	More than \$10,000	Knowledge, rather than intent, that the exchange will conceal the exchanged instrument's criminal origin or will aid someone in engaging in or profiting or benefiting from the criminal activity
4th degree (CGS § 53a-279 ; Class A misdemeanor)	\$10,000 or less	Same as 3rd degree

When sentencing, courts can impose a fine, imprisonment, or both.

Money laundering is subject to the usual maximum prison sentences for the different classes of crimes indicated (20 years for a class B felony, 10 years for a class C felony, five years for a class D felony, or 364 days for a class A misdemeanor).

For the 4th degree crime, the usual maximum fine applies as for other class A misdemeanors (\$2,000). But for the 1st through 3rd degree crimes, instead of the usual fines for felonies, the court (1) must impose a fine of up to \$250,000 or twice the value of the criminally derived instruments, whichever is greater, for a first offense; (2) must impose a fine of up to \$500,000 or five times the instruments' value, whichever is greater, for a subsequent offense; and (3) may impose a special alternative fine under [CGS § 53a-44](#) of up to double the gain the person derived from the crime ([CGS § 53a-280](#)).

A corporation violating the felony money laundering statutes is subject to the same fines (e.g., for a first offense, the greater of \$250,000 or twice the value of the instruments) (but the law does not directly reference the alternative fine) ([CGS § 53a-281](#)).

The law specifies a number of circumstances when a person is presumed to know that instruments are derived from criminal activity (such as paying or receiving substantially less than face value for instruments that are in fact derived from criminal activity) ([CGS § 53a-282](#)).

As noted above, money laundering can also be prosecuted under CORA, which includes a process for the forfeiture of property gained through this crime.

Compliance With Federal Law

State law specifically requires certain types of financial businesses or professionals to comply with applicable provisions of the federal Currency and Foreign Transactions Reporting Act and any regulations adopted under it. This applies to:

1. Connecticut banks and credit unions ([CGS §§ 36a-287](#) and [36a-476](#)),
2. check cashing licensees ([CGS § 36a-586\(c\)](#)),
3. money transmission licensees ([CGS § 36a-606a\(a\)](#)), and
4. securities broker-dealers ([CGS § 36b-34](#)).

Money Transmission Licensee Required Programs

The state's Money Transmission Act generally regulates businesses, other than banks or credit unions, that receive and transmit money. The law requires each money transmission licensee to establish an anti-money laundering program that includes:

1. internal policies, procedures, and controls;
2. a designated compliance officer;
3. an ongoing employee training program; and
4. an independent audit function to test the program's effectiveness ([CGS § 36a-606a\(b\)](#)).

The banking commissioner may order any money transmission licensee to terminate its relationship with any authorized delegate if the delegate has been convicted of a violation of a state or federal anti-money laundering statute ([CGS § 36a-608\(d\)](#)).

Financial Institution Transactions

There are also certain consequences under state law for financial institutions that do not comply with anti-money laundering programs (see [CGS §§ 36a-125\(f\)](#), [-135\(b\) & \(c\)](#), [-136\(l\)](#), [-137\(b\) & \(d\)](#), [-138\(c\)](#), [-185\(c\)](#), [-210\(a\) & \(b\)](#), [-468a\(b\)](#), [-468b\(e\)](#), [-469b\(b\)](#), and [-469c\(d\)](#)). For example, the law prohibits the banking commissioner from approving certain transactions if the relevant parties' anti-money laundering activity programs, policies, and procedures (or in some cases, proposed programs) are inadequate, or if the parties lack a record of compliance with anti-money laundering laws and regulations. These include, among others:

1. mergers or consolidations of Connecticut banks ([CGS § 36a-125\(f\)](#));
2. a Connecticut bank's sale of all or a significant part of its assets to a bank ([CGS § 36a-210\(a\)](#));
3. a Connecticut bank's purchase of all or a significant part of the assets of a federal bank, federal credit union, or out-of-state credit union ([CGS § 36a-210\(b\)](#)); or
4. a Connecticut credit union's merger with a Connecticut, federal, or out-of-state credit union ([CGS § 36a-468a\(b\)](#)).

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Licensing Restrictions or Related Disclosures

In addition to the laws summarized in this report, state law restricts licensure in certain fields, such as certain mortgage professionals or people associated with cannabis establishments, for money laundering convictions.

It also requires disclosure of these convictions in certain contexts, such as for people registering as commercial finance providers.