

SENATE BILL 450

N1
SB 194/12 – JPR

4lr1950

By: **Senator Young**
Introduced and read first time: January 27, 2014
Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Residential Leases – Interest on Security Deposits**

3 FOR the purpose of altering the interest rate paid on a security deposit under a
4 residential lease at the end of a tenancy; altering the interest rate paid on a
5 security deposit under a residential lease when an evicted or ejected tenant
6 makes a timely written demand for return of the security deposit; requiring the
7 Department of Housing and Community Development to maintain a certain list
8 on its Web site; providing for the application of this Act; providing for a delayed
9 effective date; and generally relating to the interest paid on security deposits
10 under residential leases.

11 BY repealing and reenacting, with amendments,
12 Article – Real Property
13 Section 8–203(e) and (h)
14 Annotated Code of Maryland
15 (2010 Replacement Volume and 2013 Supplement)

16 BY adding to
17 Article – Real Property
18 Section 8–203(k)
19 Annotated Code of Maryland
20 (2010 Replacement Volume and 2013 Supplement)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
22 MARYLAND, That the Laws of Maryland read as follows:

23 **Article – Real Property**

24 8–203.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.



1 (e) (1) **(I)** Within 45 days after the end of the tenancy, the landlord
2 shall return the security deposit to the tenant together with simple interest which has
3 accrued [in the amount of 3 percent per annum] **AT THE DAILY U.S. TREASURY**
4 **YIELD CURVE RATE FOR 1 YEAR AS OF THE FIRST BUSINESS DAY OF EACH YEAR**
5 **OR 1.5%, WHICHEVER IS GREATER**, less any damages rightfully withheld.

6 **(II)** **FOR ANY YEAR IN WHICH THE LANDLORD HAS HELD**
7 **THE SECURITY DEPOSIT FOR LESS THAN THE FULL YEAR, THE LANDLORD SHALL**
8 **PAY AN AMOUNT OF INTEREST EQUAL TO THE AMOUNT OF THE DEPOSIT**
9 **MULTIPLIED BY THE DAILY U.S. TREASURY YIELD CURVE RATE FOR 1 YEAR**
10 **THAT WAS IN EFFECT AS OF THE FIRST BUSINESS DAY OF THAT CALENDAR YEAR**
11 **OR 1.5%, WHICHEVER IS GREATER, DIVIDED BY THE NUMBER OF MONTHS THAT**
12 **THE DEPOSIT WAS HELD.**

13 (2) Interest shall accrue at six-month intervals from the day the
14 tenant gives the landlord the security deposit. Interest is not compounded.

15 (3) Interest shall be payable only on security deposits of \$50 or more.

16 (4) If the landlord, without a reasonable basis, fails to return any part
17 of the security deposit, plus accrued interest, within 45 days after the termination of
18 the tenancy, the tenant has an action of up to threefold of the withheld amount, plus
19 reasonable attorney's fees.

20 (h) (1) The provisions of subsections (e)(1) and (4) and (g)(1) and (2) of this
21 section are inapplicable to a tenant who has been evicted or ejected for breach of a
22 condition or covenant of a lease prior to the termination of the tenancy or who has
23 abandoned the premises prior to the termination of the tenancy.

24 (2) (i) A tenant specified in paragraph (1) of this subsection may
25 demand return of the security deposit by giving written notice by first-class mail to
26 the landlord within 45 days of being evicted or ejected or of abandoning the premises.

27 (ii) The notice shall specify the tenant's new address.

28 (iii) **1.** The landlord, within 45 days of receipt of such notice,
29 shall present, by first-class mail to the tenant, a written list of the damages claimed
30 under subsection (f)(1) of this section together with a statement of the costs actually
31 incurred and shall return to the tenant the security deposit together with simple
32 interest which has accrued [in the amount of 3 percent per annum] **AT THE DAILY**
33 **U.S. TREASURY YIELD CURVE RATE FOR 1 YEAR AS OF THE FIRST BUSINESS DAY**
34 **OF EACH YEAR OR 1.5%, WHICHEVER IS GREATER**, less any damages rightfully
35 withheld.

36 **2.** **FOR ANY YEAR IN WHICH THE LANDLORD HAS**
37 **HELD THE SECURITY DEPOSIT FOR LESS THAN THE FULL YEAR, THE LANDLORD**

1 SHALL PAY AN AMOUNT OF INTEREST EQUAL TO THE AMOUNT OF THE DEPOSIT
2 MULTIPLIED BY THE DAILY U.S. TREASURY YIELD CURVE RATE FOR 1 YEAR
3 THAT WAS IN EFFECT AS OF THE FIRST BUSINESS DAY OF THAT CALENDAR YEAR
4 OR 1.5%, WHICHEVER IS GREATER, DIVIDED BY THE NUMBER OF MONTHS THAT
5 THE DEPOSIT WAS HELD.

6 (3) (i) If a landlord fails to send the list of damages required by
7 paragraph (2) of this subsection, the right to withhold any part of the security deposit
8 for damages is forfeited.

9 (ii) If a landlord fails to return the security deposit as required
10 by paragraph (2) of this subsection, the tenant has an action of up to threefold of the
11 withheld amount, plus reasonable attorney's fees.

12 (4) Except to the extent specified, this subsection may not be
13 interpreted to alter the landlord's duties under subsections (e) and (g) of this section.

14 **(K) THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**
15 **SHALL MAINTAIN ON ITS WEB SITE A LIST OF DAILY U.S. TREASURY YIELD**
16 **CURVE RATES FOR 1 YEAR AS OF THE FIRST BUSINESS DAY OF EACH YEAR, TO**
17 **BE USED IN CALCULATING THE INTEREST ON A SECURITY DEPOSIT.**

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be
19 construed to apply only prospectively and may not be applied or interpreted to have
20 any effect on or application to any residential leases entered into before the effective
21 date of this Act.

22 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
23 January 1, 2015.