
By: **Delegates Kohl, Bartlett, Bates, Boteler, Dwyer, Eckardt, Frank,
Glassman, Hogan, Impallaria, James, Jennings, Krebs, McComas,
Parrott, Shewell, and Smigiel**

Introduced and read first time: January 23, 2006

Assigned to: Environmental Matters

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; providing for
7 the application of this Act; and generally relating to the interest paid on security
8 deposits under residential leases.

9 BY repealing and reenacting, with amendments,
10 Article - Real Property
11 Section 8-203(e) and (h)
12 Annotated Code of Maryland
13 (2003 Replacement Volume and 2005 Supplement)

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

16 **Article - Real Property**

17 8-203.

18 (e) (1) (I) Within 45 days after the end of the tenancy, the landlord shall
19 return the security deposit to the tenant together with simple interest which has
20 accrued [in the amount of 3 percent per annum] AT THE RATE SPECIFIED IN
21 SUBPARAGRAPH (II) OF THIS PARAGRAPH, less any damages rightfully withheld.

22 (II) 1. THE INTEREST RATE PAID ON A SECURITY DEPOSIT
23 UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE THE RATE PAID BY THE
24 FINANCIAL INSTITUTION MAINTAINING THE ACCOUNT IN WHICH THE SECURITY
25 DEPOSIT IS HELD.

1 2. THE INTEREST RATE SHALL BE THE RATE PREVAILING ON
2 THE DATE THE LANDLORD GIVES THE TENANT A RECEIPT FOR THE SECURITY
3 DEPOSIT UNDER § 8-203.1 OF THIS SUBTITLE.

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

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

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

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

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

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

19 (iii) 1. The landlord, within 45 days of receipt of such notice, shall
20 present, by first-class mail to the tenant, a written list of the damages claimed under
21 subsection (f)(1) of this section together with a statement of the costs actually
22 incurred and shall return to the tenant the security deposit together with simple
23 interest which has accrued [in the amount of 3 percent per annum] AT THE RATE
24 SPECIFIED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH, less any damages
25 rightfully withheld.

26 2. A. THE INTEREST RATE PAID ON A SECURITY DEPOSIT
27 UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH SHALL BE THE RATE PAID BY
28 THE FINANCIAL INSTITUTION MAINTAINING THE ACCOUNT IN WHICH THE SECURITY
29 DEPOSIT IS HELD.

30 B. THE INTEREST RATE SHALL BE THE RATE PREVAILING ON
31 THE DATE THE LANDLORD GIVES THE TENANT A RECEIPT FOR THE SECURITY
32 DEPOSIT UNDER § 8-203.1 OF THIS SUBTITLE.

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

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

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

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

7 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 October 1, 2006.