

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE

House Bill 225 (Delegate Kohl, *et al.*)  
Environmental Matters

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**Real Property - Residential Leases - Interest on Security Deposits**

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This bill alters the amount of interest a landlord must pay a tenant upon return of the tenant's security deposit from 3% per annum to the prevailing rate at the financial institution where the deposit is being held. The interest rate paid on a security deposit is the rate paid on the date that the landlord gives the tenant a receipt for the security deposit.

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**Fiscal Summary**

**State Effect:** Assuming that the Consumer Protection Division receives fewer than 50 complaints as a result of this bill, any additional workload would be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** A landlord is required to pay 3% simple interest on a tenant's security deposit and to maintain all security deposits in branches of federally-insured financial institutions doing business in the State. The deposits must be kept in interest-bearing accounts, and the accounts must be devoted exclusively to security deposits. In lieu of these accounts, a landlord may hold the security deposits in insured certificates of deposit at branches of federally-insured financial institutions doing business in the State or in securities issued by the federal government or the State.

A landlord must give a tenant a receipt for the security deposit. The receipt may be included in a written lease.

**Background:** Chapter 2 of 1973 imposed the duty on a landlord to pay interest on a tenant's security deposit at 3% simple interest, accruing at six-month intervals. Chapter 536 of 1980 increased the interest rate that must be paid on a security deposit from 3% to 4%. Chapter 369 of 2004 lowered the required interest rate for a tenant's security deposit held by a landlord from 4% to 3%.

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### **Additional Information**

**Prior Introductions:** An identical bill, HB 970 of 2005, received an unfavorable report from the Environmental Matters Committee. A similar bill, HB 217 of 2003, also received an unfavorable report from the Environmental Matters Committee.

**Cross File:** None.

**Information Source(s):** Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

**Fiscal Note History:** First Reader - February 7, 2006  
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