
THIRD READING

Bill No: AB 414
Author: Pellerin (D)
Amended: 7/8/25 in Senate
Vote: 21

SENATE JUDICIARY COMMITTEE: 11-0, 6/24/25

AYES: Umberg, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Wahab,
Weber Pierson, Wiener

NO VOTE RECORDED: Niello, Valladares

ASSEMBLY FLOOR: 66-1, 3/20/25 (Consent) - See last page for vote

SUBJECT: Residential tenancies: return of security

SOURCE: Author

DIGEST: This bill requires a landlord to return any remaining security deposit at the end of a residential tenancy to the tenant electronically if the tenant paid rent or the deposit electronically, and amends the process by which the remaining deposit and required itemized statement of deductions is delivered to the tenant or tenants, as specified.

Senate floor amendments of 7/8/25 add an exception to the requirement that when multiple adult tenants reside in the residential rental property, the landlord must return the remainder of any security deposit by check payable to all adult tenants and furnish the itemized statement to any one of the adult tenants, as specified, for when no written mutual agreement has been entered into by the landlord and the adult tenants, and the tenancy is terminated by a tenant pursuant to a specified statute related to instances of domestic violence, and the tenant who terminated the lease requests that the security be disbursed in a manner other than by check made payable to all adult tenants.

ANALYSIS:

Existing law:

- 1) Defines “security” for the rental of residential property as a payment, fee, deposit, or charge, that is imposed at the beginning of the tenancy to be used for any purpose by the landlord, including but not limited to:
 - a) Processing a new tenant;
 - b) Ensuring advance payment of rent;
 - c) Compensating for nonpayment of rent;
 - d) Repairing damages to the property, other than ordinary wear and tear, caused by the tenant or the tenant’s guest or licensee;
 - e) For tenancies beginning on or after January 1, 2003, cleaning the property upon termination of the tenancy in order to restore the same level of cleanliness the property had at the beginning of the tenancy; or
 - f) Cover any obligation, as established by the rental agreement, to restore, replace, or return personal property or accessories, other than due to ordinary wear and tear. (Civil (Civ.) Code § 1950.5 (b).)
- 2) Excludes from the definition of “security” any permissible application screening fee that a landlord charges a prospective tenant. (Civ. Code § 1950.6.)
- 3) Limits the amount of a security deposit a landlord can collect for a residential tenancy to no more than one month's rent, regardless of whether the property is furnished or unfurnished. (Civ. Code § 1950.5 (c)(1).)
- 4) Establishes that, notwithstanding (3), above, small landlords who meet the following requirements may demand or receive a security deposit of up to two months’ rent:
 - a) the landlord is a natural person or a limited liability company in which all members are natural persons; and
 - b) the landlord owns no more than two residential rental properties that collectively include no more than four dwelling units offered for rent. (Civ. Code § 1950.5 (c)(5)(A).)
- 5) Clarifies that notwithstanding (4), above, service members, as defined, may not be required to pay more than one month’s rent in security deposit. (Civ. Code § 1950.5 (c)(5)(B).)

- 6) Permits a landlord to claim only that portion of the security deposit reasonably necessary for the purposes set forth in 1) above. Prohibits a landlord from asserting a claim against the tenant or the security for damages or defective conditions that preexisted the tenancy, ordinary wear and tear, or the cumulative effects of wear and tear. Limits any claims against the tenant or the deposit for materials or supplies for work on the property to a reasonable amount necessary to restore the premises back to the condition it was in at the inception of the tenancy, exclusive of ordinary wear and tear. Prohibits a landlord from requiring a tenant to pay for, or from asserting against the tenant or the deposit, professional carpet cleaning or other professional cleaning services, unless they are reasonably necessary to return the premises to the condition it was at the start of the tenancy, less ordinary wear and tear. (Civ. Code § 1950.5 (e).)
- 7) Provides that, within a reasonable time after notification of either party's intention to terminate the tenancy, or before the end of the lease term, the landlord must notify the tenant in writing, as specified, of the tenant's option to request an initial inspection where the tenant may be present, so that the tenant can have the opportunity to remedy any deficiencies to avoid deductions from their deposit. (Civ. Code § 1950.5 (f)(1).)
- 8) Establishes that a landlord must provide the tenant with an itemized statement, based on the inspection, specifying repairs or cleanings that are proposed to be the basis of any deductions from the security the landlord intends to make, as permitted. Provides that the landlord must give the statement to the tenant at the inspection, if the tenant is present, or must be left inside the unit, and that the statement must include the text of Civil Code Section 1950.5(b)(1)-(4). (Civ. Code § 1950.5 (f)(2).)
- 9) Provides that, during the period following the initial inspection until termination of the tenancy, the tenant has the opportunity to remedy identified deficiencies in order to avoid deductions from their security deposit, and permits a landlord to use the security deposit for itemized deductions that were not cured by the tenant, as provided. Also permits a landlord to use the security deposit for any permitted purposes, as provided, that occurs between completion of the initial inspection and termination of the tenancy, or that was not identified during the initial inspection due to the presence of a tenant's possessions on the premises. (Civ. Code § 1950.5 (f)(3)-(5).)

- 10) Establishes that, no later than 21 calendar days after the tenant has vacated the premises, but not earlier than the time that either the landlord or the tenant provides a notice to terminate the tenancy or not earlier than 60 calendar days prior to the expiration of a fixed-term lease, the landlord must furnish the tenant, by personal delivery or by pre-paid first-class mail, a copy of an itemized statement, along with specified supporting documents, indicating the basis for, and the amount of, any security received and the disposition of the security, and must return any remaining portion of the security to the tenant. After either the tenant or the landlord provides the other notice of their intent to terminate the tenancy, they may mutually agree to have the remainder of the deposit returned electronically to a bank account or other financial institution designated by the tenant, and the landlord and tenant may agree to have the itemized statement and all required documents emailed to the tenant instead. (Civ. Code § 1950.5 (h)(1).)
 - a) If the tenant requests specified documentation within 14 calendar days of receiving the itemized statement, the landlord must provide the required documentation within 14 calendar days of the request from the tenant. (Civ. Code § 1950.5(h)(5).)
- 11) Requires the landlord to provide to the tenant, along with the itemized statement, copies of documents showing charges incurred and deducted by the landlord to repair or clean the premises, as follows:
 - a) If the landlord or landlord's employee did the work, the itemized statement must reasonably describe the work performed. The itemized statement must include the time spent and the reasonable hourly rate charged;
 - b) If the landlord or landlord's employee did not do the work, the landlord must provide the tenant a copy of the bill, invoice, or receipt supplied by the person or entity performing the work. The itemized statement must provide the tenant with the name, address, and telephone number of the person or entity, if the bill, invoice, or receipt does not include that information;
 - c) If a deduction is made for materials or supplies, the landlord shall provide a copy of the bill, invoice, or receipt. If a particular material or supply item is purchased by the landlord on an ongoing basis, the landlord may document the cost of the item by providing a copy of a bill, invoice, receipt, vendor price list, or other vendor document that reasonably documents the cost of the item used in the repair or cleaning of the unit; and

- d) If the deduction is made for repairs or cleanings permitted by these provisions, the landlord must provide photographs taken as provided, along with a written explanation of the cost of the allowable repairs or cleanings. (Civ. Code § 1950.5 (h)(2).)
- 12) Permits, if a repair cannot reasonably be completed within 21 days after the tenant vacates the premises, or if the required documents from a person or entity providing services, materials, or supplies are not given to the landlord within the 21-day period, the landlord to deduct from the tenant's deposit the amount of a good faith estimate of the charges that will be incurred, and provide that estimate to the tenant with the itemized statement, as specified. (Civ. Code § 1950.5(h)(3).)
 - 13) Requires a landlord or their agent, within a reasonable time upon the termination of the landlord's interest in the premises, to either transfer the portion of the security remaining after any lawful deductions to the landlord's successor in interest and notify the tenant, or return the portion of the security deposit remaining after any lawful deductions to the tenant, with the required accounting of those deductions. (Civ. Code § 1950.5(i).)
 - 14) Requires the landlord to deliver to the landlord's successor in interest, prior to any voluntary transfer of the landlord's interest a written statement indicating: the security remaining after any lawful deductions; an itemization of those lawful deductions; and whether the landlord intends to return the remaining deposit to the tenant or transfer it to the landlord's successor in interest. (Civ. Code § 1950.5(j).)
 - 15) Specifies that a tenant may receive statutory damages of up to twice the amount of the security deposit, in addition to actual damages, if the landlord retains or claims the tenant's deposit or any portion thereof in bad faith violation of the above provisions, and specifies that a landlord is not entitled to any deductions from a tenant's deposit if they violate the above provisions in bad faith. Provides that, in any action under Section 1950.5, the landlord has the burden of proof as to the reasonableness or lawfulness of the amounts claimed. (Civ. Code §§ 1950.5(h)(7), (m).)
 - 16) Specifies that an action under Civil Code Section 1950.5 may be brought in small claims court, if the damages claimed are within the jurisdictional amount allowed for small claims court cases. (Civ. Code § 1950.5(n).)

This bill:

- 1) Requires a landlord that received a tenant's security deposit or rental payments electronically to return the remainder of the tenant's deposit electronically to a bank account or other financial institution designated by the tenant in writing, or by any electronic or virtual method available to the landlord if agreed to in writing by the tenant. Permits the landlord and tenant agree in writing that the remainder of the deposit be returned by another method, including but not limited to, by personal delivery or by a check mailed by first-class mail.
- 2) Specifies that, upon the termination of the landlord's interest in the rental property and the transfer of the security to the landlord's successor in interest, as permitted by law, the landlord's successor in interest must return the remainder of the security electronically only if the landlord's successor in interest received rental payments from the tenant electronically.
- 3) Requires, if the landlord or the landlord's successor in interest received the security deposit or any rental payments from the tenant electronically, the landlord must, within a reasonable time after notification of either party's intent to terminate the tenancy, or before the end of the lease term, notify the tenant in writing of their right to receive the security deposit back electronically. Specifies that this notice requirement does not apply if the landlord and tenant previously entered into an agreement designating another method of delivery.
- 4) Requires the landlord, except as provided in (5), below, to provide the itemized statement to the tenant by personal delivery or first-class mail with prepaid postage.
- 5) Permits the itemized statement to be provided to the tenant by email to an account provided by the tenant, or by mail to an address provided by the tenant, through a mutual agreement between the landlord and the tenant entered into at the beginning of the tenancy, or at any time during or after the tenancy.
- 6) Requires that, if there are multiple adult tenants residing in the unit, the landlord return the remainder of the security deposit by check payable to all adult tenants listed on the rental or lease agreement at the time that the tenancy is terminated, and requires the landlord to provide the itemized statement by personal delivery or by first-class mail with prepaid postage to any adult tenant the landlord chooses.

- 7) Permits the landlord and all adult tenants to enter into a mutual written agreement at the commencement of the tenancy or any time during or after the tenancy, to specify:
- a) how the remaining deposit will be returned, including whether it will be returned to a specific tenant or divided among multiple tenants, with allocation percentages, and that the deposit is either returned by check by first-class mail with prepaid postage, or by an electronic deposit to a bank or other financial institute designated by each adult tenant; and
 - b) for each adult tenant, whether the landlord will provide the itemized statement by email or first-class mail, with prepaid postage, along with a forwarding address or email account for doing so.
- 8) Exempts, from the requirement in (6), above, when there is no mutual agreement pursuant to (7), and a tenant terminates the lease pursuant to Civil Code section 1946.7 and requests that the security be disbursed in a manner other than by check made payable to all tenants, and permits in such a circumstance that a landlord disburse the security in a manner other than by check made payable to all adult tenants.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 6/26/2025)

California Apartment Association

OPPOSITION: (Verified 6/26/2025)

Apartment Association of Greater Los Angeles

Apartment Association of Orange County

Apartment Association, California Southern Cities

Berkeley Property Owner's Association

California Rental Housing Association

East Bay Rental Housing Association

NorCal Rental Property Association

North Valley Property Owners Association

Santa Barbara Apartment Association, INC. Db a Santa Barbara Rental Property Association

Southern California Rental Housing Association

ARGUMENTS IN SUPPORT: According to the California Apartment Association, which supports AB 414:

[AB 414] provides important clarity regarding the return of security deposits in residential tenancies.

We appreciate [the author's] collaboration with CAA in developing provisions that offer flexibility for returning security deposits in a manner agreed upon by both the owner and tenant, including the option of electronically transferring any remaining funds. The bill's added guidance on how to handle the return of a security deposit when multiple tenants are vacating a unit is particularly beneficial. We believe AB 414 thoughtfully balances the interests of both property owners and tenants.

ARGUMENTS IN OPPOSITION: According to the California Rental Housing Association, which opposes AB 414:

AB 414's requirement that security deposit refunds be processed electronically if originally received by a landlord electronically, unless otherwise mutually agreed, is overly prescriptive. This provision disregards the operational realities and sophistication of many of today's landlords, particularly small, independent housing providers, who might accept a singular electronic payment but lack the consistent infrastructure or preference for processing electronic refunds, and thereby forcing them to utilize unfamiliar processes.

By imposing a requirement on housing providers to refund security deposits electronically may expose unsuspecting property owners to a variety of online fraud schemes. Payment fraud is a growing fraud type that involves the use of false or stolen payment information to obtain money and can occur in a variety of ways, but it often includes fraudulent actors stealing bank account information to make unauthorized transactions. Inexperienced housing providers can easily fall prey to phishing attacks that may appear to be requested by renters, or money could mistakenly be directed to the wrong person or account other than the tenant who is eligible for a refund.

Also, the ambiguity surrounding what constitutes "received electronically" further opens the door to disputes and legal interpretation. Further, AB 414's proposed new mandate requiring written notification to tenants about their right to an electronic refund, when applicable, adds another layer of administrative burden to an already regulated process.

The most significant concern lies with the stipulation that if multiple adult tenants reside in a unit, the security deposit must be returned via a single check made payable to all adult tenants. While seemingly equitable on the surface, this can lead to considerable logistical complications for tenants. It creates the potential for delays in accessing funds due to the practical challenges of securing multiple endorsements, especially if tenants have moved to different locations or have strained relationships. Banks may require all named payees to be present, presenting a significant logistical nightmare for tenants to simply cash that check and obtain the portion of the security deposit they are entitled to. This provision also inadvertently inserts landlords into potential disputes between co-tenants regarding the division of funds, which is outside the scope of their typical responsibilities.

Lastly, current law already allows for mutual agreement on electronic deposits and email statements, providing sufficient flexibility without the need for these new, potentially burdensome, and often impractical requirements. Clearly, AB 414 appears to attempt to create solutions for problems that simply do not exist while adding unnecessary red tape, exposing tenants and landlords to fraud, causing disputes among multiple tenants on a lease, and creating potential for increased litigation, thereby impacting both landlord operating costs and the efficiency of processing security deposit refunds.

ASSEMBLY FLOOR: 66-1, 3/20/25

AYES: Addis, Aguiar-Curry, Alanis, Arambula, Ávila Farías, Bains, Bennett, Berman, Boerner, Bonta, Bryan, Caloza, Carrillo, Chen, Connolly, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Lackey, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio

NO VOTE RECORDED: Ahrens, Alvarez, Bauer-Kahan, Calderon, Castillo, Davies, Essayli, Gallagher, Hadwick, Krell, Macedo, Papan, Wallis

Prepared by: Ian Dougherty / JUD. / (916) 651-4113
7/9/25 16:03:26

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