

## CONCURRENCE IN SENATE AMENDMENTS

CSA1 Bill Id:AB 414 Author:(Pellerin)

As Amended Ver:August 19, 2025

Majority vote

**SUMMARY**

Requires a landlord who receives a security deposit or rental payments by means of electronic transfer to return the security deposit by electronic transfer, unless the landlord and tenant agree to a different method of returning the security deposit.

**Major Provisions**

- 1) Provides that if the landlord received the security deposit or rental payments from the tenant electronically, then the landlord shall furnish the remainder of the security deposit electronically to a bank account or other financial institution designated by the tenant, or by any electronic or virtual method available to the landlord. Alternatively, the landlord and tenant may, by written agreement, designate another method of return, including, but not limited to, by personal delivery or by a check made payable to the tenant and mailed to an address provided by tenant.
- 2) Provides that upon mutual agreement between the landlord and tenant entered into at the commencement of the tenancy or at any time during or after the tenancy, the landlord may send the itemized statement by either: (a) email to an account provided by the tenant, or (b) mailed to an address provided by the tenant by first-class mail, postage prepaid. If no agreement is reached, the default method shall be mailing via first-class mail, postage prepaid.
- 3) Specifies the manner for sending the itemized statement and returning the security deposit when multiple adult tenants reside in the unit.

**Senate Amendments**

- 1) Clarify that if the landlord received the security or rental payments from the tenant electronically, the bill would require the landlord to notify the tenant in writing of the tenant's right to receive the any remaining amount of the security deposit electronically.
- 2) Clarify the process for returning any remainder of the security deposit if there are multiple adult tenants residing in the unit.

**COMMENTS**

*Security Deposits.* Landlords typically demand from a new tenant a fee or deposit as a "security" to protect the landlord should the tenant default in the payment of rent, damage the property beyond the normal wear and tear, or fail to leave the unit as clean as they found it. Recently AB 12 (Haney0, Chapter 733, Statutes of 2023) limited the amount that the landlord could charge for the security deposit to the equivalent of one month's rent. However, given the rising costs of rental housing in California, one month's rent can sometimes represent a significant amount of money, especially for a tenant who must come up with first month's rent and a security deposit at another residence. As such, California law regulates not only the amount of security deposit that

the landlord can lawfully charge; it also limits the kinds of expenses that the landlord can deduct from the security deposit before returning the remainder, if any, to the tenant. In addition, existing law requires the landlord to provide the tenant with an itemized statement, with supporting receipts and documentation, detailing why the landlord is withholding all or part of the security deposit.

*This bill* addresses the manner in which the landlord must provide the tenant with the itemized statement and any portion of the security deposit owed to the tenant. Existing law requires that the refund and statement be provided to the tenant either by 1) personal delivery or 2) by first class mail, postage prepaid. The author contends that this requirement fails to take account of the increasing practice of paying rents and security deposits by electronic transfer, whether that is by setting up automated payments via a bank's unique routing numbers or using mobile banking applications such as Zelle. However, existing law does, in fact, take account of this. Specifically, existing law expressly authorizes the landlord and tenant, by mutual agreement, to have the landlord transfer the remaining security deposit electronically to an account designated by the tenant. This bill would effectively make return by electronic means the default method *if* the landlord received the security deposit or rental payments from the tenant electronically.

*In sum* this bill makes a very modest change to existing law. While existing law may make sending the itemized statement and security deposit by old-fashioned mail the default position, it already expressly authorizes the landlord and tenant to mutually agree to transfer the deposit and itemized statement electronically if both parties have the desire and capacity for electronic transfers. This bill will simply make electronic transfer the default if payments were made electronically. Specifically, the bill would specify that if the landlord received the security or rental payments from the tenant electronically, then the landlord shall return the remainder of the security electronically, unless the landlord and tenant designated another method of return, by written agreement. The bill would require the landlord to notify the tenant in writing of their right to receive the security electronically. The bill would also authorize the landlord and tenant to mutually agree, as specified, to provide the itemized statement by either email to an email account provided by the tenant or mail by first-class mail, postage prepaid, to an address provided by the tenant. Finally, the bill specifies for returning any remainder of the security deposit if there are multiple adult tenants residing in the unit.

### **According to the Author**

According to the author, an increasing proportion of tenants are submitting rental deposits and paying their rent through electronic funds transfers, such as online property management portals, through bank transfers such as Zelle, or other online payment platforms." The author contends that "California's Civil Code has not reflected these changes," as it still requires the landlord to return the deposit via personal delivery or first-class mail. The author claims that there is "extensive anecdotal evidence" of checks not arriving in the mail, though it is unclear whether this is due to the landlord "maliciously and purposefully withholding security deposits" or some other reason. Whatever the reasons, the author contends, "these instances underscore the need to update the Civil Code to reflect the realities of rental transactions in the 21<sup>st</sup> century.

### **Arguments in Support**

This bill is supported by the California Apartment Association (CAA). They write:

We appreciate your 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

None on file

### FISCAL COMMENTS

None

### VOTES:

#### ASM JUDICIARY: 12-0-0

**YES:** Kalra, Dixon, Bauer-Kahan, Bryan, Connolly, Essayli, Harabedian, Pacheco, Papan, Sanchez, Stefani, Zbur

#### ASSEMBLY FLOOR: 66-1-13

**YES:** 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

**NO:** DeMaio

**ABS, ABST OR NV:** Ahrens, Alvarez, Bauer-Kahan, Calderon, Castillo, Davies, Essayli, Gallagher, Hadwick, Krell, Macedo, Papan, Wallis

#### SENATE FLOOR: 39-0-1

**YES:** Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

**ABS, ABST OR NV:** Choi

### UPDATED

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CONSULTANT: Tom Clark / JUD. / (916) 319-2334

FN: 0001528