STATE OF NEW YORK

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2025-2026 Regular Sessions

IN SENATE

(Prefiled)

January 8, 2025

Introduced by Sen. KAVANAGH -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary -- reported favorably from said committee, ordered to first and second report, ordered to a third reading, amended and ordered reprinted, retaining its place in the order of third reading -- again amended and ordered reprinted, retaining its place in the order of third reading

AN ACT to amend the general obligations law, in relation to the liability of a grantee or assignee for deposits made by tenants upon conveyance of rent stabilized dwelling units

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section 7-107 of the general obligations law, as added by chapter 917 of the laws of 1984, is amended to read as follows:

§ 7-107. [~~Liability of a grantee or assignee for deposits~~] **Deposits** made by tenants [~~upon conveyance~~] of rent stabilized dwelling units. 1. This section shall apply only to dwelling units subject to the New York city rent stabilization law of nineteen hundred sixty-nine or the emergency tenant protection act of nineteen seventy-four.

2. [~~(a) Any grantee or assignee of any dwelling unit referred to in subdivision one of this section shall be liable to a tenant for any sum of money or any other thing of value deposited as security for the full performance by such tenant of the terms of his lease, plus any accrued interest, if his or its predecessor in interest was liable for such funds. Such liability shall attach whether or not the successor in interest has, upon the conveyance of such dwelling unit, received the sum as deposited.~~

~~(b) The liability of a receiver for payment of any security deposit plus accrued interest pursuant to this subdivision shall be limited to the amount of such deposit actually turned over to him or it pursuant to subdivision one of section 7-105 of this chapter and to the operating~~

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

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~~income in excess of expenses generated during his or its period of receivership~~] No deposit or advance shall exceed the amount of one month's rent, under any contract for the lease or tenancy of a dwelling unit subject to this section.

3. [~~Any agreement by a lessee or tenant of a dwelling unit waiving or modifying his rights as set forth in this section shall be void~~] The entire amount of the deposit or advance, shall be refundable to the tenant upon the tenant's vacating of the premises except for an amount lawfully retained for the reasonable and itemized costs due to non-payment of rent, damage caused by the tenant beyond normal wear and tear, non-payment of utility charges payable directly to the landlord under the terms of the lease or tenancy, and moving and storage of the tenant's belongings. The landlord may not retain any amount of the deposit for costs relating to ordinary wear and tear of occupancy or damage caused by a prior tenant.

4. After initial lease signing but before the tenant begins occupancy, the landlord shall offer the tenant the opportunity to inspect the premises with the landlord or the landlord's agent to determine the condition of the property. If the tenant requests such inspection, the parties shall execute a written agreement before the tenant begins occupancy of the unit attesting to the condition of the property and specifically noting any existing defects or damages. Upon the tenant's vacating of the premises, the landlord may not retain any amount of the deposit or advance due to any condition, defect, or damage noted in such agreement. The agreement shall be admissible as evidence of the condition of the premises at the beginning of occupancy only in proceedings related to the return or amount of the security deposit.

5. Within a reasonable time after notification of either party's intention to terminate the tenancy, unless the tenant terminates the tenancy with less than two weeks' notice, the landlord shall notify the tenant in writing of the tenant's right to request an inspection before vacating the premises and of the tenant's right to be present at the inspection. If the tenant requests such an inspection, the inspection shall be made no earlier than two weeks and no later than one week before the end of the tenancy. The landlord shall provide at least forty-eight hours written notice of the date and time of the inspection. After the inspection, the landlord shall provide the tenant with an itemized statement specifying repairs or cleaning that are proposed to be the basis of any deductions from the tenant's deposit. The tenant shall have the opportunity to cure any such condition before the end of the tenancy. Any statement produced pursuant to this subdivision shall only be admissible in proceedings related to the return or amount of the security deposit.

6. Within fourteen days after the tenant has vacated the premises, the landlord shall provide the tenant with an itemized statement indicating the basis for the amount of the deposit retained, if any, and shall return any remaining portion of the deposit to the tenant. If a landlord fails to provide the tenant with the statement and deposit within fourteen days, the landlord shall forfeit any right to retain any portion of the deposit.

7. In any action or proceeding disputing the amount of any portion of the deposit retained, the landlord shall bear the burden of proof as to the reasonableness of the amount retained.

8. Any person who violates the provisions of this section shall be liable for actual damages, provided a person found to have willfully

violated this section shall be liable for punitive damages of up to twice the amount of the deposit or advance.

9. (a) In circumstances where any sum of money or any other thing of value deposited as security for the full performance by a tenant of the terms of their lease is not turned over to a successor in interest pursuant to section 7-105 of this title, the grantee or assignee of the leased premises shall also be liable to such tenant, upon conveyance of such leased premises, for the repayment of any such security deposit, plus accrued interest, as to which such grantee or assignee has actual knowledge.

(b) For purposes of this section, a grantee or assignee of the leased premises shall be deemed to have actual knowledge of any security deposit which is (i) deposited at any time during the six months immediately prior to closing or other transfer of title in any banking organization pursuant to subdivision two-a of section 7-103 of this title, or (ii) acknowledged in any lease in effect at the time of closing or other transfer of title, or (iii) supported by documentary evidence provided by the tenant or lessee as set forth in paragraph (c) of this subdivision.

(c) With respect to any leased premises for which there is no record of security deposit pursuant to subparagraph (i) or (ii) of paragraph (b) of this subdivision, the grantee or assignee of the leased premises shall be obligated to notify the tenant thereof in writing no later than thirty days following the closing or other transfer of title to the fact that there is no record of a security deposit for said leased premises and that unless the tenant within thirty days after receiving notice provides them or it with documentary evidence of deposit, the tenant shall have no further recourse against them or it for said security deposit. For purposes of this subdivision, "documentary evidence" shall be limited to any cancelled check drawn to the order of, a receipt from, or a lease signed by any predecessor in interest, if such predecessor's interest in the leased premises existed on or after the effective date of this paragraph. Except as otherwise provided by subparagraphs (i) and (ii) of paragraph (b) of this subdivision, the grantee or assignee of the leased premises shall not be charged with actual knowledge of the security deposit where the tenant fails within the thirty-day period to provide such documentary evidence. Where the grantee or assignee of the leased premises fails to notify the tenant as specified in this paragraph within thirty days following the closing or other transfer of title, the tenant shall be entitled to produce documentary evidence at any time.

(d) The grantee or assignee of the leased premises shall have the right to demand that the grantor or assignor thereof establish an escrow account equal to one month's rent for any leased premises for which there is no record of a security deposit pursuant to paragraph (b) of this subdivision to be used for the purpose of holding harmless the grantee or assignee in any case where, at a date subsequent to the closing or other transfer of title, the tenant gives notice pursuant to paragraph (c) of this subdivision.

(e) The liability of a receiver for payment of any security deposit plus accrued interest pursuant to this subdivision shall be limited to the amount of such deposit actually turned over to them or it pursuant to subdivision one of section 7-105 of this title and to the operating income in excess of expenses generated during their or its period of receivership.

10. Any agreement by a lessee or tenant of a dwelling waiving or modifying their rights as set forth in this section shall be absolutely void.

§ 2. This act shall take effect on the thirtieth day after it shall have become a law and shall apply to any lease or rental agreement or renewal of a lease or rental agreement entered into on or after such date.