

STATE OF NEW YORK

952--A

Cal. No. 344

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

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 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~~] such tenant's lease, plus any accrued interest, if [~~his~~] such tenant 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~~] such receiver pursuant to subdivision one of section 7-105 of this [~~chapter~~] title and to the operating income in excess of expenses generated during

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

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1 ~~[his or its]~~ such receiver's period of receivership. No deposit or
2 advance shall exceed the amount of one month's rent, plus accrued inter-
3 est, under any contract for the lease or tenancy of a dwelling unit
4 subject to this section.

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

16 4. After initial lease signing but before the tenant begins occupancy,
17 the landlord shall offer the tenant the opportunity to inspect the prem-
18 ises with the landlord or the landlord's agent to determine the condi-
19 tion of the property. If the tenant requests such inspection, the
20 parties shall execute a written agreement before the tenant begins occu-
21 pancy of the unit attesting to the condition of the property and specif-
22 ically noting any existing defects or damages. Upon the tenant's vacat-
23 ing of the premises, the landlord may not retain any amount of the
24 deposit or advance due to any condition, defect, or damage noted in such
25 agreement. The agreement shall be admissible as evidence of the condi-
26 tion of the premises at the beginning of occupancy only in proceedings
27 related to the return or amount of the security deposit.

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

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

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

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

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

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

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

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

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

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

1 10. Any agreement by a lessee or tenant of a dwelling waiving or modi-
2 fyng their rights as set forth in this section shall be absolutely
3 void.

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