

**SENATE BILL NO. 56**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY SENATOR DAVIS

Introduced: 1/17/07

Referred: Labor and Commerce, Judiciary, State Affairs

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to security deposits, prepaid rent, and interest in landlord-tenant**  
2 **transactions."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 \* **Section 1.** AS 34.03.070(b) is amended to read:

5 (b) Upon termination of the tenancy, property or money held by the landlord  
6 as prepaid rent or as a security deposit, **along with the interest owing to the tenant**  
7 **under (c) of this section,** may be applied to the payment of accrued rent and the  
8 amount of damages that the landlord has suffered by reason of the tenant's  
9 noncompliance with AS 34.03.120. The accrued rent and damages **shall** [MUST] be  
10 itemized by the landlord in a written notice mailed to the tenant's last known address  
11 within the time limit prescribed by (g) of this section, together with the amount due  
12 the tenant. In this subsection, "damages"

13 (1) means deterioration of the premises and, if applicable, of the  
14 contents of the premises;

1 (2) does not include deterioration

2 (A) that is the result of the tenant's use of the premises by  
3 normal, nonabusive living;

4 (B) caused by the landlord's failure to prepare for expected  
5 conditions or by the landlord's failure to comply with an obligation of the  
6 landlord imposed by this chapter.

7 \* **Sec. 2.** AS 34.03.070(c) is amended to read:

8 (c) All money paid to the landlord by the tenant as prepaid rent or as a security  
9 deposit in a lease or rental agreement shall be promptly deposited by the landlord,  
10 wherever practicable, in **an interest-bearing** [A] trust account in a bank **or** [,] savings  
11 and loan association, or **with a** licensed escrow agent, **who shall hold the money in**  
12 **an interest-bearing trust account in a bank or savings and loan association**, and  
13 the landlord shall provide to the tenant the terms and conditions under which the  
14 prepaid rent, [OR] security deposit, **and interest**, or portions of them may be withheld  
15 by the landlord. **Nothing** [; NOTHING] in this chapter prohibits the landlord from  
16 commingling prepaid rents and security deposits in a single financial account.  
17 **However, subject to a deduction from the interest under (h) of this section, the**  
18 **landlord is liable to a tenant for the greater of the**

19 **(1) actual interest that is paid on the account and that is**  
20 **attributable to the tenant's prepaid rent and security deposit; or**

21 **(2) interest on the tenant's prepaid rent and security deposit at the**  
22 **rate of one percentage point above the annual rate charged member banks for**  
23 **advances by the 12th Federal Reserve District on the day on which the rental**  
24 **agreement was entered into.**

25 \* **Sec. 3.** AS 34.03.070 is amended by adding a new subsection to read:

26 (h) A landlord may deduct from the interest due to a tenant under (c) of this  
27 section

28 (1) the entire amount of the actual charge made by the bank, savings  
29 and loan association, or escrow agent for establishing or maintaining the account, if a  
30 separate account is established for the tenant; or

31 (2) a proportionate part of the actual charge made by the bank, savings

1 and loan association, or escrow agent for establishing or maintaining the account, if  
 2 the prepaid rent and security deposits of more than one tenant are commingled in one  
 3 account under (c) of this section; in this paragraph, "proportionate part" means a part  
 4 that represents the proportion that the prepaid rent and security deposit of the tenant  
 5 bears to the prepaid rent and security deposits of the other tenants in the account.

6 \* **Sec. 4.** AS 34.03.160(d) is amended to read:

7 (d) If the rental agreement is terminated, the landlord shall return all prepaid  
 8 rent, [OR] security deposits, and interest recoverable by the tenant under  
 9 AS 34.03.070.

10 \* **Sec. 5.** AS 34.03.200(b) is amended to read:

11 (b) If the rental agreement is terminated, the landlord shall return all prepaid  
 12 rent, [AND] security deposits, and interest recoverable under AS 34.03.070.  
 13 Accounting for rent in the event of termination or apportionment shall occur as of the  
 14 date of the casualty.

15 \* **Sec. 6.** AS 34.03.210 is amended to read:

16 **Sec. 34.03.210. Tenant's remedies for landlord's unlawful ouster,**  
 17 **exclusion, or diminution of service.** If the landlord unlawfully removes or excludes  
 18 the tenant from the premises or wilfully diminishes services to the tenant by  
 19 interrupting or causing the interruption of electric, gas, water, sanitary, or other  
 20 essential service to the tenant, the tenant may recover possession or terminate the  
 21 rental agreement and, in either case, recover an amount not to exceed one and one-half  
 22 times the actual damages. If the rental agreement is terminated, the landlord shall  
 23 return all prepaid rent, [AND] security deposits, and interest recoverable by the  
 24 tenant under AS 34.03.070.

25 \* **Sec. 7.** AS 34.80.030 is amended to read:

26 **Sec. 34.80.030. Interest on escrow money.** Notwithstanding any other  
 27 provision of law, except, when applicable, AS 34.03.070(c), interest may not be  
 28 collected or paid by a settlement agent on money held for an escrow transaction unless  
 29 authorized in writing by the parties to the escrow transaction, including the settlement  
 30 agent.