

1 H.565
2 Introduced by Representative Wood of Waterbury
3 Referred to Committee on
4 Date:
5 Subject: Commerce and trade; residential rental agreements; landlord tenant;
6 conservation and development; mobile home parks; security deposits
7 Statement of purpose of bill as introduced: This bill proposes to restrict a
8 landlord or a mobile home park owner from charging or receiving a security
9 deposit exceeding an amount equal to three month's rent and to require that a
10 landlord or mobile home park owner maintain a security deposit within an
11 interest-bearing account on behalf of a tenant or leaseholder.

12 An act relating to security deposits

13 It is hereby enacted by the General Assembly of the State of Vermont:

14 Sec. 1. 9 V.S.A. § 4461 is amended to read:

15 § 4461. SECURITY DEPOSITS

16 (a)(1) A security deposit is any advance, deposit, or prepaid rent, however
17 named, which is refundable to the tenant at the termination or expiration of the
18 tenancy, including any interest accrued in accordance with this subsection.

19 The function of a security deposit is to secure the performance of a tenant's
20 obligations to pay rent and to maintain a dwelling unit.

1 (2) A landlord shall not charge for or receive a security deposit
2 exceeding an amount equal to three month's rent.

3 (3) A landlord shall maintain a security deposit in an interest-bearing
4 account on behalf of the tenant. Interest accrued in the account shall not count
5 towards the limit imposed by subdivision (2) of this subsection.

6 * * *

7 (g) A town or municipality may adopt an ordinance governing security
8 deposits on dwellings. The ordinance shall be supplemental to and not
9 inconsistent with the minimum protections of the provisions of this section.
10 The ordinance may not limit how a security deposit is held. The ordinance
11 may authorize the payment of interest on a security deposit. The ordinance
12 may provide that a housing board of review constituted pursuant to 24 V.S.A.
13 § 5005 may hear and decide disputes related to security deposits upon request
14 for a hearing by a landlord or tenant. The board's actions shall be reviewable
15 under 24 V.S.A. § 5006.

16 Sec. 2. 10 V.S.A. § 6244 is amended to read:

17 **§ 6244. SECURITY DEPOSITS**

18 (a) (1) A security deposit is any advance, deposit, or prepaid rent that is
19 refundable to a leaseholder at the termination or expiration of the occupancy,
20 including any interest accrued in accordance with this subsection. A security

1 deposit is to secure the leaseholder's obligation to pay rent and to maintain a
2 rented mobile home or mobile home lot.

3 (2) A mobile home park owner shall not charge for or receive a security
4 deposit exceeding an amount equal to three month's lot rent.

5 (3) A park owner shall maintain a security deposit in an interest-bearing
6 account on behalf of the leaseholder. Interest accrued in the account shall not
7 count towards the limit imposed by subdivision (2) of this subsection.

8 * * *

9 (g) A municipality may adopt an ordinance governing security deposits on
10 mobile homes or mobile home lots. The ordinance shall be supplemental to
11 and not inconsistent with the minimum protections of the provisions of this
12 section. The ordinance may not limit how a security deposit is held. The
13 ordinance may authorize the payment of interest on a security deposit. The
14 ordinance may provide that a housing board of review constituted pursuant to
15 24 V.S.A. § 5005 may hear and decide disputes related to security deposits
16 upon request for a hearing by a park owner or leaseholder. The board's actions
17 shall be reviewable under 24 V.S.A. § 5006.

18 Sec. 3. SECURITY DEPOSIT; TRANSITION PERIOD

19 (a) Notwithstanding 9 V.S.A. § 4461(a) or 10 V.S.A. § 6244(a), a landlord
20 or mobile home park owner may retain a security deposit that exceeds an
21 amount equal to three month's rent or three month's lot rent, provided that the

1 residential rental agreement or mobile home lot lease was in effect prior to July
2 1, 2026.

3 (b) A landlord or mobile home park owner shall deposit any security
4 deposit collected prior to July 1, 2026, into an interest-bearing account within
5 30 days following July 1, 2026.

6 Sec. 4. EFFECTIVE DATE

7 This act shall take effect on July 1, 2026.