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Handout: California Security Deposit Compliance (General information only; not legal advice for any specific matter.)

# California Security Deposit Compliance Guide

## 1) Statutory Security Deposit Limits

Effective July 1, 2024, Assembly Bill 12 (AB 12) limits security deposits for residential tenancies to **one (1) month's rent**, regardless of whether the unit is furnished or unfurnished.

### Small Landlord Exception (If Applicable)

Landlords may be permitted to collect up to **two (2) months' rent** if they qualify under the small landlord exception. In general, this exception applies when:

- The landlord is a natural person or eligible family trust; and
- The landlord owns no more than two residential rental properties; and
- The total number of rental units across those properties does not exceed four (4).

Important: Additional eligibility rules and exceptions may apply (including circumstances involving prospective tenants who are service members). Consult counsel for tenant-specific analysis.

**Reminder:** AB 12 reduces the amount that can be collected up front, but it does not eliminate a landlord's right to pursue damages that exceed the security deposit (subject to proof and applicable law).

## 2) Security Deposit Return & Itemization (21-Day Rule)

After the tenancy ends and the tenant vacates, landlords must, within **21 calendar days**:

- Return the full security deposit, **or**
- Provide an itemized written statement of deductions and return any remaining balance.

### Delivery

- May be hand-delivered or mailed by first-class mail (pre-paid).
- If no forwarding address is provided, mail to the vacated rental unit address.

### Receipts / Estimates

- If work is not completed by day 21, provide good-faith **estimates** with the itemization.
- Provide final **receipts** within 14 days after work is completed or documentation is received.

### **New Requirement: Photographic Documentation Must Be Included with the Itemization**

Under the updated rules, the landlord must include with the security deposit itemization:

- **Move-out condition photos:** photographs of the unit (and the specific areas at issue) at the time the tenant vacated; and
- **Post-restoration photos:** photographs showing the unit (and the specific areas at issue) after cleaning and/or repairs were completed.

Best practice: Take date-stamped, well-lit photos that clearly show the condition and any damage/cleaning needed, then matching photos after restoration.

### **Documentation Exceptions (Limited)**

Generally, supporting documentation may not be required when:

- Total deductions are less than **\$125**; or
- The tenant has executed a **valid written waiver** of the right to receive receipts.

Note: Even when an exception applies, maintaining documentation (including photographs) remains strongly recommended.

## **3) Authorized Deductions (What May Be Withheld)**

California law permits deductions only for specific purposes. Common allowable deductions include:

1. **Unpaid rent** owed through the end of the tenancy.
2. **Repairs for damage beyond ordinary wear and tear.**  
Ordinary wear and tear generally refers to natural deterioration from normal use over time (e.g., minor scuffs, naturally faded paint, moderately worn carpet).
3. **Cleaning** necessary to return the unit to the same level of cleanliness as at move-in.
4. **Restoration** costs to return unauthorized alterations to the original condition (where applicable).

**Best practice:** Ensure your lease/rental agreement is drafted to clearly describe security deposit uses and responsibilities (including cleaning standards and alteration/restoration obligations) to reduce disputes at move-out.

## **4) Practical Compliance Checklist**

- Offer and document any required pre-move-out inspection process where applicable.
- Photograph the unit at move-out (overall + close-ups of issues) and after restoration.
- Maintain invoices/receipts and logs for labor performed by owners/employees (hours, tasks, rate).
- Send the itemization and any required documentation within 21 days.

- If using estimates, calendar the 14-day follow-up to send final receipts after completion.

**Disclaimer:** This handout is provided for general informational purposes and may not reflect all exceptions or fact-specific requirements. Consult qualified counsel for advice regarding your specific situation.