

# Security Deposit Interest Rate Change

Effective January 1, 2024

## Preface

Landlords can require a security deposit, sometimes referred to as a damage deposit, from their tenants when they move into rental premises. Since January 1, 2009, the interest rate on security deposits has been zero percent.

As prescribed in section 2 of the Security Deposit Interest Rate Regulation under *the Residential Tenancies Act* and *Mobile Home Sites Tenancies Act*, this will change effective January 1, 2024. **The interest rate effective January 1, 2024 to December 31, 2024 is 1.6 percent.**

Additional Information about returning security deposits is available at: <https://www.alberta.ca/ending-a-tenancy>

## Interest on Security Deposits

Interest on the security deposit must be paid to the tenant annually, unless the landlord and tenant agree in writing that it will not be paid annually, in which case the interest must be compounded annually.

The formula takes the interest rate that ATB Financial is charging for cashable one-year guaranteed invest certificate (GIC) on November 1 of the previous year and subtracts 3 percent.

A landlord may agree in a residential tenancy agreement to pay a higher interest rate. The landlord is then bound to pay the tenant interest on the security deposit and the compounding interest at the higher rate.

## Interest Rate Calculator:

The Government of Alberta provides an online interest rate calculator to assist landlords and tenants in determining how much interest the landlord must pay on the security deposit. The calculator is available at: <https://www.servicealberta.ca/interest-chart.cfm>

An interest rate chart for previous years is available at: <https://www.alberta.ca/starting-a-tenancy>

## Examples of how to calculate Security Deposit Interest:

**Example 1** - Joe moved into his apartment on January 1, 2024, and gave the landlord \$1,000 for a security deposit. Joe vacated the apartment on May 31, 2024. Interest would be payable on the security deposit from January 1, 2024 (when the new interest rate takes effect) to May 31, 2024. The amount of Security Deposit interest paid is prorated based on the number of days he was in the lease (Remember: 2024 is a leap year so there are 366 days in the year). Here's how to calculate it:

**Step 1:** Determine the interest owed on a full year:  $\$1,000 \times 0.016 = \$16$  (security deposit amount x interest rate percentage for 2024 = \$16)

**Step 2:** Determine the interest owed for each day of a full year:  $\$16/366 = .0437$  cents per day (\$16 divided by number of days in the year (366 leap year) = interest owing per day)

**Step 3:** Determine how much interest is owed for the number of days Joe was in the apartment:  $152 \text{ days} \times .0437 \text{ cents} = \mathbf{\$6.64 \text{ interest payable}}$  (days lived in rental unit x interest owing per day = interest payable for 2024)

**The total interest payable to Joe would be \$6.64. The security deposit plus interest would be \$1,006.64.**

For more information call 1-877-427-4088 toll-free or visit <https://www.alberta.ca/information-for-landlords-and-tenants>

**Example 2** - Mary moved into an apartment on June 1, 2023, and gave the landlord \$1,000 for a security deposit. Mary vacated the apartment on December 31, 2024. Mary and the landlord agreed in writing to pay the security deposit interest at the end of the tenancy. In this case, the interest would be compounded annually.

To determine the compounded interest, start by going through the same first steps as the previous example:

**Step 1:** Determine the interest owed on a full year:  $\$1,000 \times .016 = \$16$  (security deposit amount x interest rate percentage for 2024 = \$16)

**Step 2:** Determine the interest owed for each day of a full year:  $\$16/366 = .0437$  cents per day (\$16 divided by number of days in the year (366 leap year) = interest owing per day)

**Step 3:** Determine how much interest is owed for the number of days Mary was in the apartment:  $152 \times .0437$  cents = \$6.64 interest owing (days lived in rental unit while interest is payable x interest owing per day = interest payable for June 1, 2023 to May 31, 2024)

Then, to calculate the compounded interest for the balance of the tenancy from June 1, 2024 to December 31, 2024, perform these additional steps:

- $\$1,000 + \$6.64$  (from above) = \$1,006.64 (security deposit plus the interest payable for the first tenancy year = total security deposit including first tenancy year interest)
- $\$1,006.64 \times .016 = \$16.11$  (total security deposit including first tenancy year interest x interest rate % for 2024 = security deposit interest payable)
- $\$16.11/366 = 0.044$  cents per day (\$16.11 divided by number of days in the year (366 leap year) = interest owing per day)
- $214 \text{ days} \times .044 = \$9.42$  interest owing (days lived in rental unit during second tenancy year x interest owing per day = interest payable for June 1, 2024 to December 31, 2024).

**The total compounded interest payable to Mary would be \$16.06. The security deposit plus interest would be \$1016.06.**

**For more information:**

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