Security Deposit Refund

Property Management Solutions for Over 30 Years

Overview

This document explains how to process security deposit refunds to tenants. There are different scenarios depending on your particular set of circumstances.

If you maintain a separate bank account for security deposits there are two steps involved in returning security deposits.

1. The first step involves specifying how the refund amount is to be used and writing a refund check.
2. The second involves transferring (moving) the money from the security deposit bank account to the checking bank account.

Money will need to be moved from the security deposit bank to the owner bank when

- the refund checks are written from the owner bank account
- part of the refund is used to pay off outstanding charges

There are two ways to transfer money from one bank account to another.

- Write a check from one bank account and deposit that check in the other bank account - the <<AP, Transfer Check>> function handles this method of moving the money
- Call the bank and have them transfer the money (see Procedure 1 below to post this).

In both cases the end result is the same - you decrease the funds one bank account and increase the funds in the other. Record the transactions in PROMAS the way you physically move the money.

The system keeps track of the ledger that the security deposit money belongs to. This information is available in General Ledger History for each owner and on the Bank Balance Breakdown report. When you post the bank to bank transfer you must enter a ledger (owner or unit) for each security deposit you are moving. If you are moving several deposits, each must have its own line item.

For information on recording a Stop Payment on a tenant refund check see How to Document #389.

NOTE

- In any of the following situations, if you do not know at the time of processing the refund what the specific charges will be, use the [Withhold] field in <<AR, Tenant Moveout>> to hold back money from the tenant's refund check and keep it from going to the owner. The money will be in tenant Open Credits. When the bills come in, you can charge the tenant and have the money go to the owner at that time, or use the <<AP, Refund Check>> function to write the checks to the vendors directly from tenant Open Credits.
- If the money is going to the owner but not for any designated purpose, create an [Account Code] for SD Released to Owner or SD Forfeit and make the [Account Type] Taxable Income. Then create a [Charge Code] that points to that account code. Use that [Charge Code] when charging the tenant.

There are a number of situations identified in the following pages, depending on:

- In what bank account the security deposit is held
- Which bank is used to write the refund check
- Whether the entire security deposit is being refunded or if some is paying off charges
- Whether you want the bank transfer transactions to show on the owner statement (we recommend that they not show as they can cause confusion).

Please identify the situation that matches yours. Then you can print just that page and keep it handy for reference.

Situation A.

- Security deposit money is in a separate bank account
- All of the security deposit is being returned to the tenant
- The refund check is written from the security deposit bank account
- The refund and transfer transactions will not be reflected on the owner statement

Situation B.

- Security deposit money is in a separate bank account
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt - see NOTE on page 1
- The refund check is written from the security deposit bank account
- The refund and transfer transactions will not be reflected on the owner statement

Situation C.

- Security deposit money is in a separate bank account
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt - see NOTE on page 1
- The refund check is written from the owner bank account
- The refund and transfer transactions will not be reflected on the owner statement

Situation D.

- Security deposit money is in the same bank account as the owner money
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt - see NOTE on page 1
- The refund check is written from the owner bank account
- The refund transactions will be reflected on the owner statement

Situation E.

- Security deposit money is in a separate bank account
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt - see NOTE on page 1
- The refund check is written from the owner bank account
- The refund and transfer transactions will be reflected on the owner statement

Situation F.

- Security deposit money is the owner's bank account
- All of the security deposit is being returned to the tenant
- The refund check is written from the owner's bank account
- The refund transactions will not be reflected on the owner statement

Situation G.

- Security deposit money is in the same bank account as the owner money
- Some of the security deposit is being returned to the tenant, some (or all) is going to the owner or management - see NOTE on page 1
- The refund check is written from the owner bank account
- The refund transactions will not be reflected on the owner statement

Deposit Held by Owner - Situation H.

- Security deposit money is held by the owner
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or management - see NOTE on page 1

Situation I.

- Security deposit money is in a separate bank account
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt
- The refund check is written from the owner bank account
- The refund transactions will show on the owner statement, the transfer transactions will not be reflected on the owner statement

Situation Z

- Security deposit money is in a separate bank account
- Interest is paid on the security deposit.

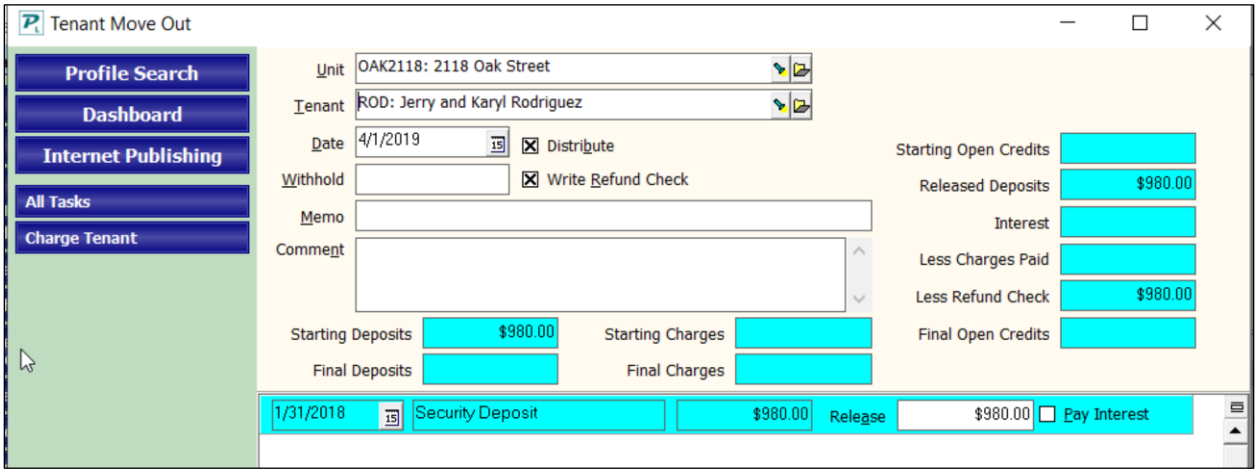
Roommate tenants – Responsible Tenant - Situation J

When you release a deposit for the tenants in a Responsible Tenant situation, the Refund Check screen will allow you to divide the money between the tenants.

Security Deposit Refund
Situation A.

- Security deposit money is in a separate bank account
- All of the security deposit is being returned to the tenant
- The refund check is written from the security deposit bank account
- The refund transaction will not be reflected on the owner statement

1. Go to <<AR, Tenant Move Out>>
2. Select the [Tenant]
    a. The security deposit should come up and show as released
    b. Verify the charges and other information on the screen
2. Post the transaction
3. You will be transferred to the <<AP, Refund Check>> function
4. <Post> the refund check
5. <Print> the check

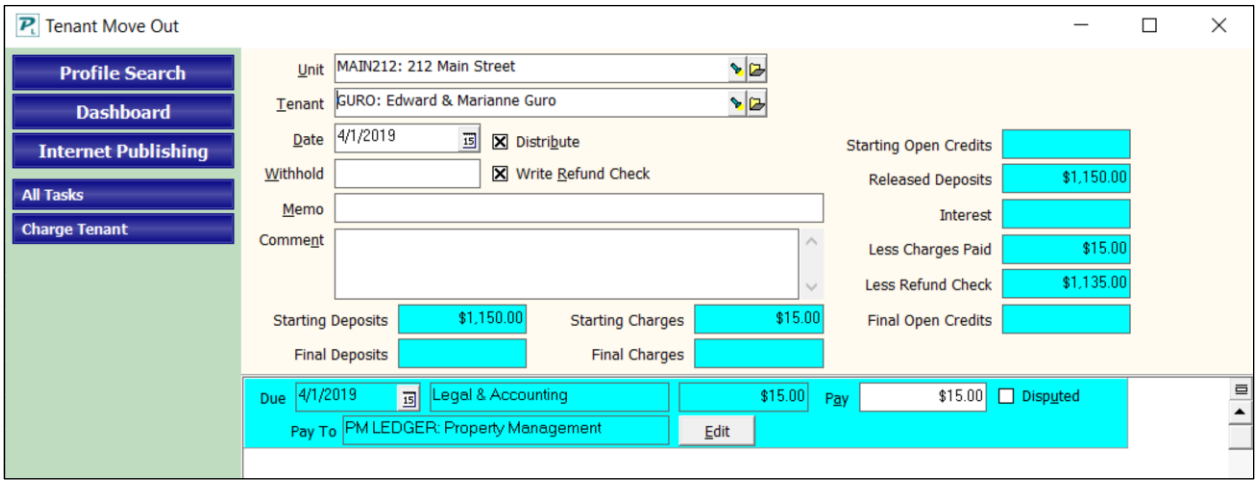


Security Deposit Refund - Situation B.

- Security deposit money is in a separate bank account
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt - see NOTE on page 1
- The refund check is written from the security deposit bank account
- The refund and transfer transactions will not be reflected on the owner statement

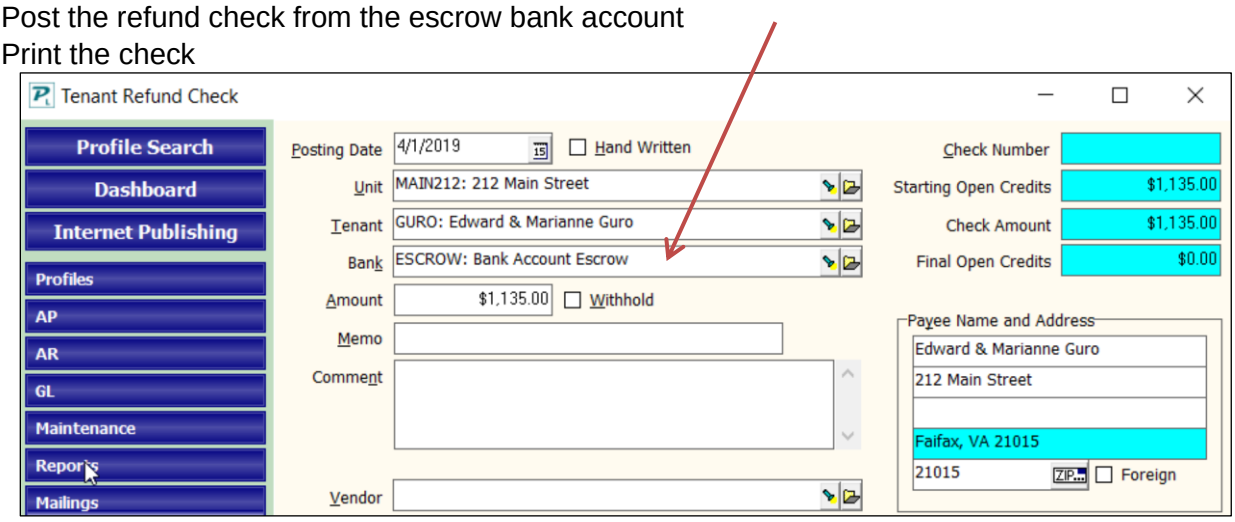
Release Security Deposit and use to pay off charges

1. Go to <<AR, Tenant Move Out>>
2. Select the [Tenant]
   a. The security deposit will come up and show as released
   b. Verify the charges and other information on the screen
3. The tenant must be charged for any money going to the owner or to the mgmt group - see NOTE on page 1. If those charges have been posted previously they will display on the screen. If they have not been posted, use the button at the left of the screen to activate the <<AR, Charge Tenant>> function and post the charges. After posting you will be returned to the <<Tenant Move Out>> function.
4. Verify the charges and other information on the screen.
5. Post the transaction.



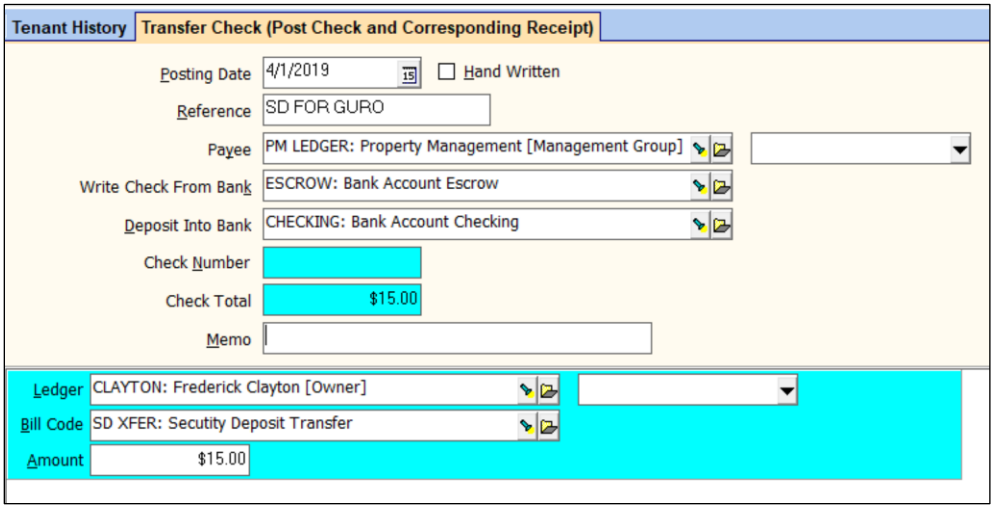
Write refund check to tenant (if appropriate)

6. The charges will be paid off and you will be transferred to the <<AP, Refund Check>> function
7. Post the refund check from the escrow bank account
8. Print the check



Move money from security deposit bank to owner bank

9. The money that goes to the owner must be moved from the security deposit bank account to the checking bank account. If you pay interest from the management group, see Situation Z.
10. If you move the money from the Escrow bank to the Checking bank by going on-line, use GL>Bank to Bank Transfer to move the money. Otherwise, use steps 11-12.
11. Go to <<AP, Transfer Check>>.
    a. Mark [Handwritten] if you don't want PROMAS to print the check.
    b. Double click in the [Reference] field to enter today's date or type in a Reference memo.
    c. [Write Check From Bank] - choose the security deposit bank
    d. [Deposit into Bank] - choose the checking bank account
    e. If the check is handwritten you must enter a [Check Number]
    f. The [Payee] is the management group
    g. The [Ledger] is the owner of the unit (owner or property)
    h. The [Bill Code] is Security Deposit Transfer (see Procedure 3 below to create the Bill Code and Account Code).
    i. The [Amount] is the amount of money being moved from the security deposit bank account to the owner bank account.
12. <Post> the transaction. <Print> the check.
13. The money will be taken from the escrow bank account and put in Deposit Receipts for the checking bank account. All you need to do is put it on a deposit slip and post, then take it to the bank.

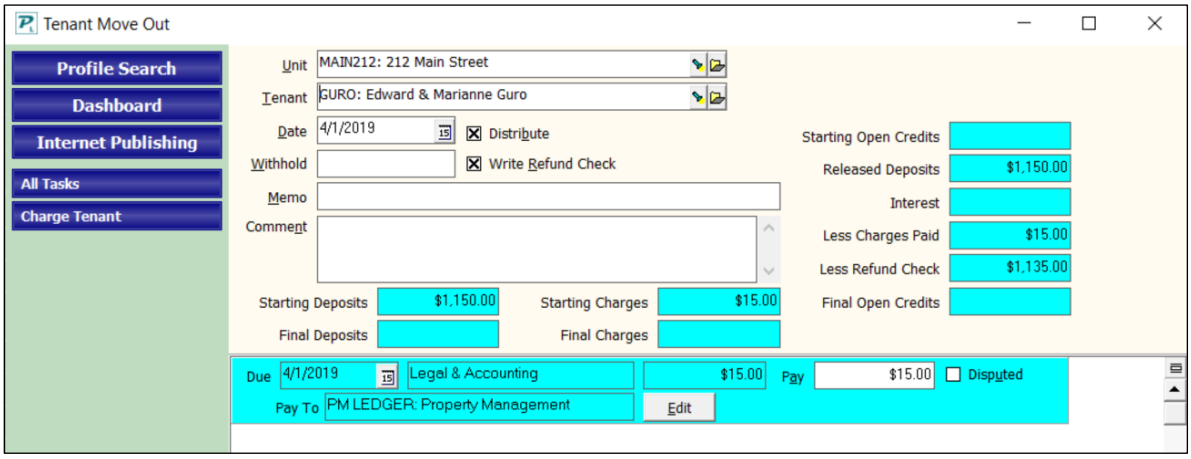


Security Deposit Refund - Situation C.

- Security deposit money is in a separate bank account
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt - see NOTE on page 1
- The refund check is written from the owner bank account
- The refund and transfer transactions will not be reflected on the owner statement

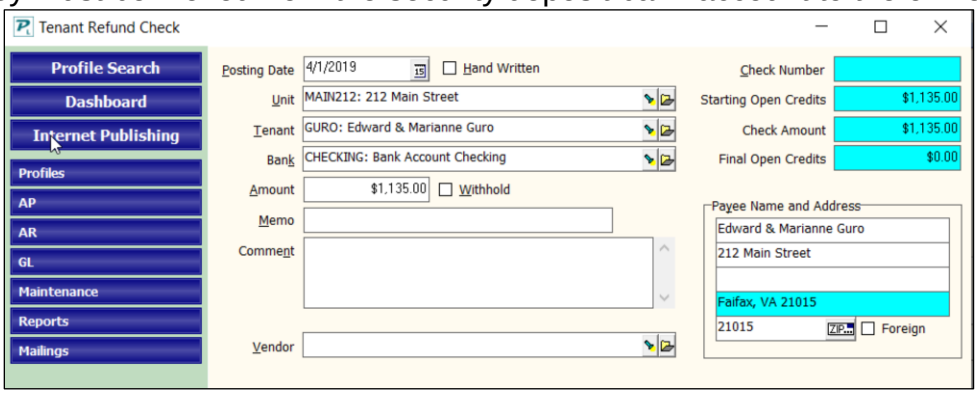
Release deposit and use to pay off charges

1. Go to <<AR, Tenant Move Out>>
2. Select the [Tenant]
    a. The security deposit should come up and show as released
    b. Verify the charges and other information on the screen
3. The tenant must be charged for any money going to the owner or management group - see NOTE on page 1. If those charges have been posted they will display on the screen. If they have not been posted previously, use the button at the left of the screen to activate the <<AR, Charge Tenant>> function and post the charges. After posting you will be returned to the <<Tenant Move Out>> function.
4. Verify the charges and other information on the screen.
5. Post the transaction.



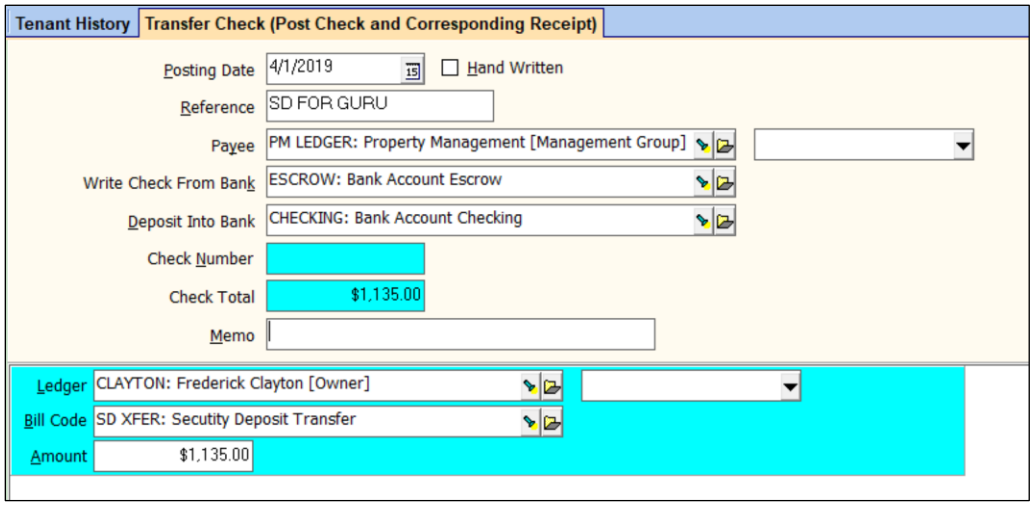
Print the refund check (if appropriate)

6. The charges will be paid off and you will be transferred to the <<AP, Refund Check>> function
7. Post the refund check from the owner bank account
8. Print the check.
9. The money must be moved from the security deposit bank account to the owner bank account.



Move deposit money from security deposit bank to checking bank

10. If you move the money from the Escrow bank to the Checking bank by going on-line, use GL>Bank to Bank Transfer to move the money. Otherwise, use steps 11-12.
11. Go to <<AP, Transfer Check>>.
    a. Mark [Handwritten] if you don't want PROMAS to print the check.
    b. Double click in the [Reference] field to enter today's date or type in a Reference memo.
    c. [Write Check From Bank] - choose the security deposit bank
    d. [Deposit into Bank] - choose the checking bank account
    e. If the check is handwritten you must enter a [Check Number]
    f. The [Payee] is the management group
    g. The [Ledger] is the owner of the unit (owner or property)
    h. The [Bill Code] is Security Deposit Transfer (see Procedure 3 below to create the Bill Code and Account Code).
12. <Post> the transaction.
13. <Print> the check.
14. The money will be taken from the escrow bank account and put in Deposit Receipts for the checking bank account. All you need to do is put it on a deposit slip and post, then take it to the bank.



Security Deposit Refund - Situation D.

- Security deposit money is in the same bank account as the owner money
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt - see NOTE on page 1
- The refund check is written from the owner bank account
- The refund transactions will be reflected on the owner statement

<u>Release deposit and use to pay off charges</u>

1. Go to <<AR, Tenant Move Out>>
2. Select the [Tenant]
    a. The security deposit will come up and show as released
    b. Verify the charges and other information on the screen
3. The tenant must be charged for any money going to the owner or management group - see NOTE on page 1. If those charges have been posted they will display on the screen. If they have not been posted previously, use the button at the left of the screen to activate the <<AR, Charge Tenant>> function and post the charges.
    The refund money going to the tenant must be charged as Security Deposit Refund. (See Procedure 4 below to create the charge code). After posting you will be returned to the Tenant Move Out function.
4. Click in the checkbox labeled [Write Refund Check] so that it is not checked.
5. Verify the charges and other information on the screen.
6. <Post> the transaction.

<u>Write refund check to tenant (if appropriate)</u>

7. Use the <<AP, Single Check>> function to write the check to the tenant and any checks to vendors.
    a. [Bill To] is the owner or unit
    b. [Bill Code] is Security Deposit Refund for check to tenant. For checks to vendors, use an appropriate bill code.
8. <Post> the checks.
9. <Print> the checks

Security Deposit Refund - Situation E.

- Security deposit money is in a separate bank account
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt - see NOTE on page 1
- The refund check is written from the owner bank account
- The refund and transfer transactions will be reflected on the owner statement

Release deposit and use to pay off charges

1. Go to <<AR, Tenant Move Out>>
2. Select the [Tenant]
   a. The security deposit should come up and show as released.
   b. Verify the charges and other information on the screen
3. The tenant must be charged for any money going to the owner or management group - see NOTE on page 1. If those charges have been posted they will display on the screen. If they have not been posted previously, use the button at the left of the screen to activate the <<AR, Charge Tenant>> function and post the charges.
   The refund money going to the tenant must be charged as Security Deposit Refund. (See Procedure 4 below to create the charge code). After posting you will be returned to the Tenant Move Out function.
4. Click in the checkbox labeled [Write Refund Check] so that it is not checked.
5. Verify the charges and other information on the screen.
6. Post the transaction.

Write refund check to tenant (if appropriate)

7. Use the <<AP, Single Check>> function to write the check to the tenant and any checks to vendors.
   a. [Bill To] is the owner or unit, [Bank] is the owner bank account
   b. [Bill Code] is Security Deposit Refund for check to tenant. For checks to vendors, use an appropriate bill code.
8. <Post> the refund check.
9. <Print> the check.

Move money from security deposit bank to checking bank

10. The money must be moved from the security deposit bank account to the checking bank account. If you pay interest from the management group, see Situation Z.
11. If you move the money from the Escrow bank to the Checking bank by going on-line, use GL>Bank to Bank Transfer to move the money. Otherwise, use steps 12-13.
12. Go to <<AP, Transfer Check>>.
    a. Mark [Handwritten] if you don't want PROMAS to print the check. Enter a [Check Number].
    b. Double click in the [Reference] field to enter today's date or type in a Reference memo.
    c. [Write Check From Bank] - choose the security deposit bank
    d. [Deposit into Bank] - choose the checking bank account
    e. The [Payee] is the management group
    f. The [Ledger] is the owner of the unit (owner or property)
    g. The [Bill Code] is Security Deposit Transfer (see Procedure 2 below to create the Bill Code and Account Code).
    h. The [Amount] is the amount of money being moved from the security deposit bank account to the owner bank account.
13. <Post> the transaction. <Print> the check. The money will be taken from the escrow bank account and put in Deposit Receipts for the checking bank account. All you need to do is put it on a deposit slip and post, then take it to the bank.

Security Deposit Refund - Situation F.

- Security deposit money is the owner's bank account
- All of the security deposit is being returned to the tenant
- The refund check is written from the owner's bank account
- The refund transactions will not be reflected on the owner statement

<u>Release deposit</u>

1. Go to <<AR, Tenant Move Out>>
2. Select the [Tenant]
    a. The security deposit will come up and show as released
    b. Verify the charges and other information on the screen
3. <Post> the transaction

<u>Write refund check to tenant</u>

4. You will be transferred to the <<AP, Refund Check>> function
5. <Post> the refund check
6. Print the check

Security Deposit Refund - Situation G.

- Security deposit money is in the same bank account as the owner money
- Some of the security deposit is being returned to the tenant, some (or all) is going to the owner or management - see NOTE on page 1
- The refund check is written from the owner bank account
- The refund transactions will not be reflected on the owner statement

<u>Release security deposit and use to pay off charges</u>

1. Go to <<AR, Tenant Move Out>>
2. Select the [Tenant]
    a. The security deposit will come up and show as released
    b. Verify the charges and other information on the screen
3. The tenant must be charged for any money going to the owner or management group - see NOTE on page 1. If those charges have been posted they will display on the screen. If they have not been posted previously, use the button at the left of the screen to activate the <<AR, Charge Tenant>> function and post the charges. After posting you will be returned to the Tenant Move Out function.
4. Verify the charges and other information on the screen.
5. <Post> the transaction.

<u>Write refund check to tenant</u>

6. The charges will be paid off and you will be transferred to the <<AP, Refund Check>> function to post the refund check.
7. <Post> the refund check.
8. Print the check.

Security Deposit Refund - Deposit Held by Owner - Situation H.

- Security deposit money is held by the owner
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or management - see NOTE on page 1

1. Go to <<AR, Tenant Move Out>>
2. Select the [Tenant]
    a. The security deposit will come up and show as released
    b. Verify the charges and other information on the screen
3. The tenant must be charged for any money going to the owner or management group - see NOTE on page 1. If those charges have been posted they will display on the screen. If they have not been posted previously, use the button at the left of the screen to activate the <<AR, Charge Tenant>> function and post the charges. After posting you will be returned to the Tenant Move Out function.
4. Verify the charges and other information on the screen.
5. <Post> the transaction.
6. The security deposit will be taken from the owner's ledger and will increase the tenant's open credits. It will then be used to pay off charges and you will be transferred to the <<AP, Refund Check>> function to post the refund check.
7. <Post> the refund check.
8. Print the check.

Note: Because the money is taken from the owner's ledger, be sure the owner has enough money to cover the security deposit in his ledger or that he has sent you money to cover the refund.

Security Deposit Refund - Situation I.

- Security deposit money is in a separate bank account
- Some of the security deposit may be returned to the tenant, some (or all) is going to the owner or mgmt
- The refund check is written from the owner bank account
- The refund transactions will show on the owner statement, the transfer transactions will not be reflected on the owner statement

Release security deposit and use to pay off charges

1. Go to <<AR, Tenant Move Out>>
2. Select the [Tenant]
    a. The security deposit will come up and show as released
    b. Verify the charges and other information on the screen
3. The tenant must be charged for any money going to the owner or management group. If those charges have been posted they will display on the screen. If they have not been posted previously, use the button at the left of the screen to activate the <<AR, Charge Tenant>> function and post the charges. After posting you will be returned to the <<Tenant Move Out>> function.

    The money going to the tenant must be charged as Security Deposit Refund. (See Procedure 4 below to create the charge code). After posting you will be returned to the Tenant Move Out function.
4. Click in the checkbox labeled Write Refund Check so that it is not checked.
5. Post the transaction.
6. The charges will be paid off

Write refund check to tenant

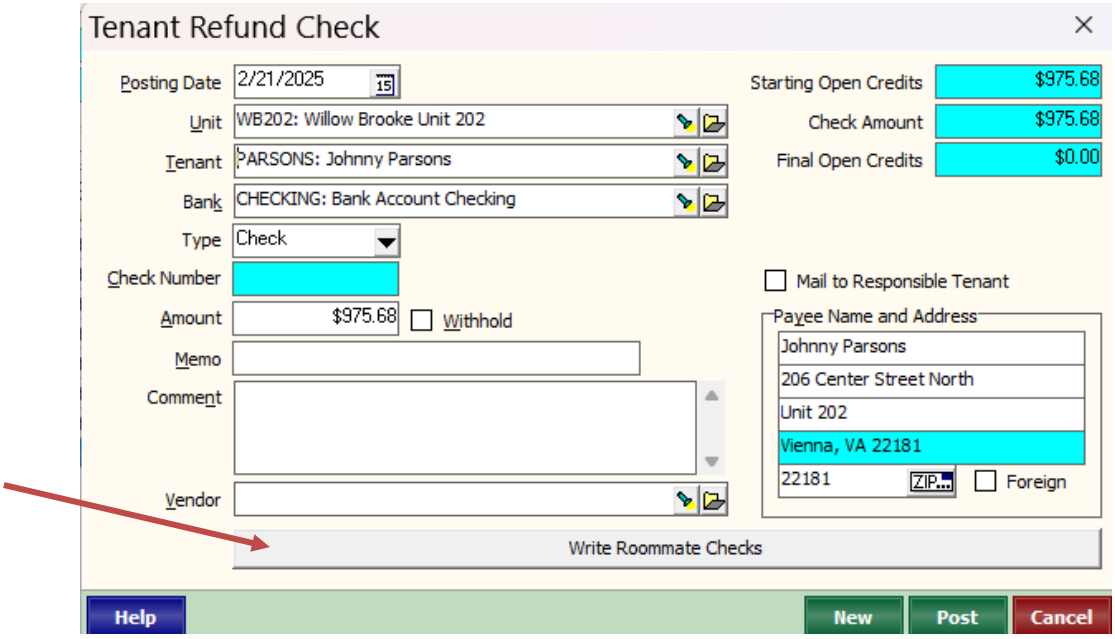
7. Use the <<AP, Single Check>> function to write the check to the tenant and any checks to vendors.
    a. [Bill To] is the owner or unit, [Bank] is the security deposit bank account
    b. [Bill Code] is Security Deposit Refund for check to the tenant.
8. Print the check

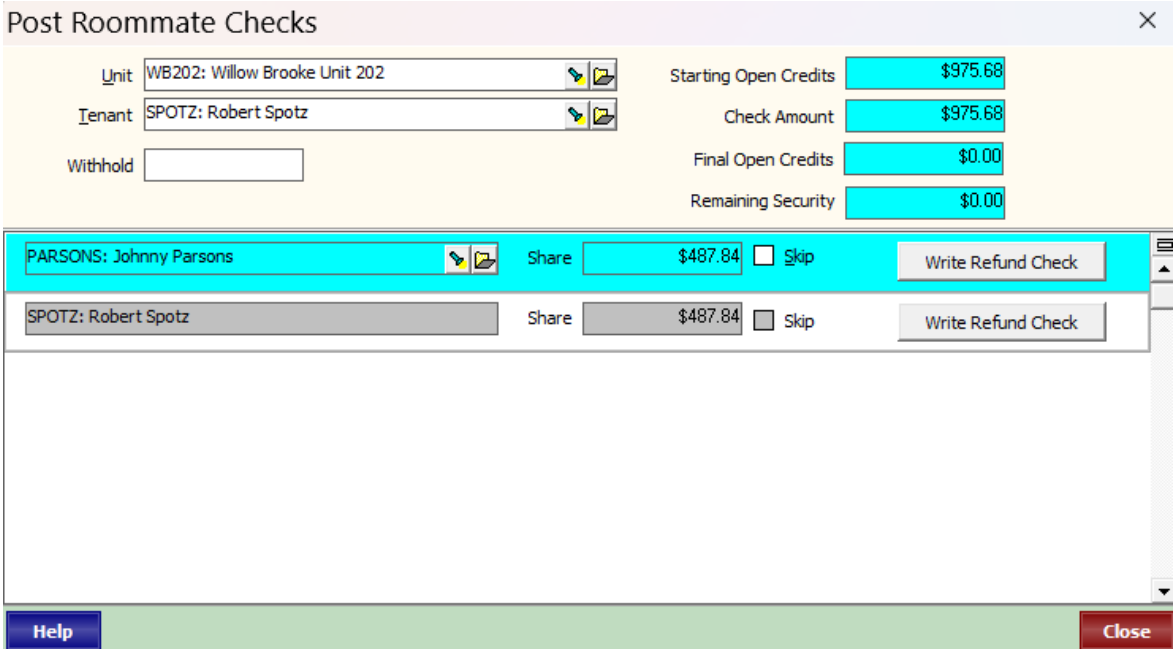
Move security deposit from escrow bank account to checking bank account

9. The money must be moved from the security deposit bank account to the owner bank account. If you pay interest from the management group, see Situation Z.
10. Go to <<AP, Transfer Check>>.
    a. Mark [Handwritten] if you don't want PROMAS to print the check. Enter a [Check Number].
    b. Double click in the [Reference] field to enter today's date or type in a Reference memo.
    c. [Write Check From Bank] - choose the security deposit bank
    d. [Deposit into Bank] - choose the checking bank account
    e. The [Payee] is the management group
    f. The [Ledger] is the owner of the unit (owner or property)
    g. The [Bill Code] is Security Deposit Transfer (see Procedure 2 below to create the Bill Code and Account Code).
    h. The [Amount] is the amount of money being moved from the security deposit bank account to the owner bank account.
10. <Post> the transaction. <Print> the check.
11. The money will be taken from the escrow bank account and put in Deposit Receipts for the checking bank account. All you need to do is put it on a deposit slip and post, then take it to the bank.

Situation J – Responsible Tenant Roommates

Follow the steps in one of the previous situations. When you get to the refund check screen you can choose to divide the money between the roommates.





Procedure 1. Bank to Bank Transfer

Use this procedure to transfer security deposit money without writing a check.

1. Call the bank and have the money transferred between the two accounts.
2. Go to <<GL, Bank to Bank Transfer>>
3. Select the [Bank] account the money is coming from
4. Select the [Bank] account the money is going to
5. [Ledger] is the owner or unit
6. Enter the amount of the transfer
7. <Post>

Procedure 2. Bill Code and Account Code - Equity

Use this procedure to create a bill code and account code that will show on the owner's statement.

1. Go to <<Setup, Bill Code>>.
2. Click <New>
3. Enter an ID of SD Trans or SD Xfer and a long description of Security Deposit Transfer.
4. Click on the flashlight next to Account to create a new account code.
5. Enter an ID of SD Trans or SD Xfer and a long description of Security Deposit Transfer.
6. Enter a [Ledger code] (9999 if you do not use ledger codes).
7. For the [Account Type] choose Equity.
8. <Save> the account code.
9. <Save> the bill code.

Procedure 3. Bill Code and Account Code - Current Liabilities

Use this procedure to create a bill code and account code that will not show on the owner's statement.

1. Go to <<Setup, Bill Code>>.
2. Click <New>
3. Enter an ID of SD Trans or SD Xfer and a long description of Security Deposit Transfer.
4. Click on the flashlight next to Account to create a new account code.
5. Enter an ID of SD Trans or SD Xfer and a long description of Security Deposit Transfer.
6. Enter a [Ledger code] (9999 if you do not use ledger codes).
7. For the [Account Type] choose Current Liabilities.
8. <Save> the account code.
9. <Save> the bill code.

Procedure 4. Bill Code, Charge Code and Account Code - Equity

Use this procedure to create a bill code, a charge code and account code for the refund check to the tenant that will show on the owner's statement.

1. Go to <<Setup, Bill Code>>.
2. Click <New>
3. Enter an ID of SD Refund and a long description of Security Deposit Refund.
4. Click on the flashlight next to Account to create a new account code.
5. Enter an ID of SD Refund and a long description of Security Deposit Refund.
6. Enter a [Ledger code] (9999 if you do not use ledger codes).
7. For the [Account Type] choose Equity.
8. <Save> the account code.
9. Click on the flashlight next to [Charge Code] to create a new charge code.
10. Enter an ID of SD Refund and a long description of Security Deposit Refund.
11. <Save> the charge code. <Save> the bill code.

Security Deposit Refund - Situation Z.
• Security deposit money is in a separate bank account
• Money must be moved from security deposit bank account

When a security deposit is refunded that includes interest, and the refund check is written from the checking bank, the interest that is credited to the tenant comes from the cash bank account. So only the security deposit amount needs to be moved from Escrow to Checking.

If the refund check is written from the Escrow bank, the interest amount will have to be moved from Checking to Escrow.

Calculate Interest

- Create a Rate Table through <<Setup, Rate Tables>>. Be sure to mark the checkbox for "Management Group Pays the Interest".
- Assign that Rate Table to the Tenant in his profile.
- In <<Setup, Charge Codes>>, edit the security deposit charge code and mark the checkbox for Pay Interest on Deposits.
- When you release the deposit or use the Move Out function, the system will calculate the interest.

Move money from security deposit bank to checking bank

- Go to <<AP, Transfer Check>>.
    - Mark [Handwritten] if you don't want PROMAS to print the check. Enter a [Check Number].
    - Double click in the [Reference] field to enter today's date or type in a Reference memo.
    - [Write Check From Bank] - choose the security deposit bank
    - [Deposit into Bank] - choose the checking bank account
    - The [Payee] is the management group
    - The [Ledger] is the owner of the unit (owner or property)
    - The [Bill Code] is Security Deposit Transfer (see Procedure 2 or 3 to create the Bill Code and Account Code).
    - The [Amount] is the amount of the security deposit only, not the interest.
- <Post> the transaction.
- <Print> the check.
- The money will be taken from the escrow bank account and put in Deposit Receipts for the checking bank account. All you need to do is put it on a deposit slip and post, then take it to the bank.