

**TENNESSEE'S HOMESTEAD EXEMPTIONS**  
*Adjusting Them to Reflect the Cost of Living*

**Final Report for Approval**

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## Tennessee's Homestead Exemptions—Should They be Updated?

State laws protecting certain property from the claims of creditors date back to the early 1800s. Called exemption laws, their goal is to ensure that debtors are not left destitute when they fall on hard times. These laws protect both real and personal property. Real property protections are called homestead exemptions and typically protect a certain amount of equity held in an individual's primary residence but in some states protect the entire residence regardless of its value. Whatever the amount protected, it is exempt from judgments that would otherwise allow creditors to force the sale of the debtor's property.

These laws have always been controversial, and the items and amounts protected have been debated for as long as the exemptions have existed. An example of how they operate from a working paper published by the law school of the University of Chicago illustrates why:

A creditor lends \$1,000 to a debtor, and that debtor defaults on the loan. Under ordinary contract principles, the creditor could sue the debtor for breach of contract, obtain a judgment, and then have a local official seize assets of the debtor, which would be sold with the proceeds going to the creditor to the extent of its claim. Suppose that the debtor's only valuable asset is an automobile worth \$2,000, and the relevant property exemption law says that a debtor's automobile is an exempt asset up to a value of \$2,500. Then the local official would refuse to liquidate the creditor's claim by seizing the automobile. The creditor's claim would continue to be valid, and the creditor could enforce it against any nonexempt assets that the debtor might subsequently obtain. The creditor would in most states be able to garnish a portion of the debtor's wages. But the automobile would be safe.

A debtor cannot agree to waive exemption laws in return for a lower interest rate: like usury laws, exemption laws supply mandatory, rather than default, rules. However, exemption laws can sometimes be circumvented, albeit imperfectly, through security interests and other arrangements. If, in our example, the creditor had obtained a security interest in the automobile when it lent the \$1,000 to the debtor, default would give the creditor the right to seize the automobile and sell it in satisfaction of its claim.<sup>1</sup>

The homestead exemption works the same. A sale of the asset—the car or the home or any property—can be forced if it is worth more than the exempt amount. If it is sold, the debtor is entitled to the lesser of the exempt amount or the amount of equity the debtor has in the property. In the case of a home or other property used as collateral for a loan, including a mortgage, the loan contract determines whether and how the sale can be effected. This is the

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<sup>1</sup> Posner et al. 2001.

case for any judgment including bankruptcy. Although the exemptions can be used to protect property from any judgment, they are most often used in bankruptcy proceedings. In fact, debtors sometimes file bankruptcy to protect their property from other types of judgments.

Bankruptcy law allows debtors to either completely discharge their unsecured debt or repay a portion of it based on their ability to pay. Both options are intended to provide honest but unfortunate debtors a fresh start and avoid making them destitute while allowing creditors to recover at least a portion of the money owed. In order to accomplish this, both state and federal laws exempt certain assets from the claims of creditors while providing creditors with some protections. While bankruptcy laws have been around for centuries, they became more important as consumer lending changed in the 1950s and 1960s with the advent of credit cards and the transition from local personal lending to transactions no longer limited by location.

With expanding credit operations came greater risk for lenders, and these companies began feeling constrained by state usury laws, which capped interest rates, limiting the companies' ability to moderate risk. In the 1978 US Supreme Court case of *Marquette National Bank of Minneapolis v. First Omaha Service Corporation*, the Court held that state anti-usury laws regulating interest rates could not be enforced against nationally chartered banks based in other states, freeing those banks to offer credit cards to anyone anywhere. After the *Marquette* ruling, many states increased or eliminated their usury limits in order to compete for the business of national lenders and level the playing field for their own state-chartered banks.

Around the same time as the *Marquette* ruling, Congress passed the Bankruptcy Reform Act of 1978, which was the largest change in the bankruptcy code since 1898 and eased the process of filing for Chapter 13—the chapter used to reorganize and repay unsecured debt. Until then, Chapter 7—the law through which assets are sold to repay debt—was the only alternative available to most debtors. The act also listed a set of exemptions for debtors, including a homestead exemption, which is designed to protect some of the equity that people have in their primary residence. More recently, Congress shifted the balance of protections toward creditors when in 2005 it passed the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) setting up additional precautions against debtor abuse and placing limitations on filers. The same year Congress passed its Bankruptcy Reform Act, Tennessee enacted legislation increasing its homestead exemption, which had remained unchanged at \$1,000 for over 100 years, to \$5,000 for individuals. Two years later, the General Assembly added an exemption of \$7,500 for joint property owners. Although several attempts have been made to update these amounts, they have not been adjusted since and are currently the lowest of the 31 states that limit residents to state exemptions. Instead, exemptions have been enhanced for four groups of filers:

- Individuals age 62 or older (\$12,500) [2004]
- married couples with one spouse age 62 or older (\$20,000) [2004]
- married couples with both spouses age 62 or older (\$25,000) [2004]

- individuals with custody of a minor child (\$25,000) [2007], doubled by judicial ruling for joint filers [2009].

These exemption amounts have remained unchanged since they were adopted.

After several efforts to increase the individual and joint homestead exemptions over the last 20 years, the General Assembly enacted Public Chapter 326, Acts of 2015, requiring the Commission to study the homestead exemption amounts in Tennessee and determine whether they should be increased to accurately reflect the cost of living. The act also requires the Commission to compare the various categories of homestead exemptions in detail to those of other states. See appendix A.

The set of federal exemptions is available to debtors in all states unless the state has passed a law saying otherwise. Initially, 37 states including Tennessee chose to limit residents to state exemptions; six of those states have since reversed course and now allow their residents to choose between the federal and state sets of exemptions. Of those states, only eight including Tennessee have homestead exemptions that are less than the federal exemption, which is currently \$22,975 for an individual and is doubled to \$45,950 for debtors who are filing jointly.

A state's homestead exemption is most often the largest exemption available to debtors; in 40 states, it is larger than the combined dollar value of all other exemptions for which the law specifies an amount. Tennessee has the third lowest combined exemption value after the neighboring states of Missouri and Alabama. Alabama tripled its homestead exemption amount for individuals, which had been unchanged since 1980, from \$5,000 to \$15,000, double that amount for joint filers, in 2015 and indexed it to adjust for inflation every three years. Alaska, California, Indiana, Michigan, Minnesota, Ohio, and South Carolina also index their exemption amounts for inflation (see table 1 on page 21).

If Tennessee's homestead exemption amounts for individuals and joint filers had kept pace with inflation since their adoption roughly 35 years ago, they would now be \$18,513 and \$21,907. If the exemption for joint filers were double the exemption for individuals, it would be \$37,026. A simpler way to bring these figures up to date and keep them up to date would be to adopt or match the federal homestead exemption, which is adjusted for inflation every three years. If that were done, Tennessee's exemption amounts for debtors with custody of a minor child, which are currently more than the federal amounts, would need to be grandfathered until the federal exemption amount catches up to it.



## The Homestead Exemption—Attempts to Balance the Interests of Debtors and Creditors in Tennessee and Other States

Every state has laws that protect some of the assets of debtors from the satisfaction of claims by creditors. These “property exemption laws,” which are also called “bankruptcy exemptions,” have long and important political histories. Texas entered the union as the first state with property exemptions—designed, it was said at the time, to draw settlers from other states—but the southern states responded quickly with exemptions of their own, and today every state has property exemptions, frequently quite generous. Like usury, stay, and currency laws, exemption laws have played an important role in the perennial conflict between debtors and creditors.

*The Political Economy of Property Exemption Laws*  
Eric A. Posner, Richard Hynes, and Anup Malani<sup>2</sup>

With traditional consumer loans, lenders could often meet their customers face to face, and the extension of credit was a personal act based on a good faith guarantee of repayment. As Professor Maurie J. Cohen, writing in the *International Journal of Consumer Studies*, put it, “this geographic proximity enabled lenders to rely on individual judgment to gauge the likelihood of default and to set their rates and terms accordingly.” But the nature of personal credit began to change in the 1950s and 1960s with the advent of credit cards, and debtor-creditor relationships that were no longer limited by location. Tim Westrich and Malcolm Bush, researchers focused on community reinvestment and economic development, characterized this change in a report presented at a Federal Deposit Insurance Corporation conference:

Before [the late 1960s], consumer credit was extended by banks primarily through installment loans for large durable goods, such as the family automobile, furniture, and large appliances. “Open-ended” credit was rare. Otherwise, consumers could obtain credit only through “open book” accounts or “tabs” with local businesses, usually guaranteed by a personal relationship between the business owner and the consumer. In the late 1950s, banks began to explore alternatives to these small consumer loans, which had high overhead costs and labor-intensive underwriting. Enter the credit card: an instant line of open-ended credit. Bank of America launched the BankAmericard, the first universal credit card, in 1958; imitators were quick to follow. By 1970, the United States was blanketed by two large merchant networks, the predecessors to Visa and MasterCard.

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<sup>2</sup> Posner et al. 2001, p. 1.

As credit cards became more widespread, banks felt constrained by state usury laws capping interest rates. Lawrence M. Ausubel, an economist writing in *The American Bankruptcy Law Journal*, said, “. . .during the 1970s, the banking industry heavily litigated the issue of the “exportation” of interest rates, i.e., the issue of which state’s usury ceiling constrains the interest rate if a bank located in one state issues a credit card to a consumer in a different state.” This controversy worked its way up to the US Supreme Court, and in a 1978 ruling, *Marquette National Bank of Minneapolis v. First Omaha Service Corporation*, the Court allowed consumer credit agencies to apply the interest rates from the state in which they incorporated. As explained in the January/February 2007 issue of the Federal Reserve Bank of St. Louis Review

Prior to this time, many states had usury ceilings on credit card interest rates. The high inflation and interest rates of the late 1970s significantly reduced the earnings of credit card companies. As a result, credit card companies in states with relatively high interest rate ceilings attempted to solicit their credit cards to people living in states with lower interest rate ceilings—and still charge the higher interest rates. Controversy over this practice culminated in [the *Marquette* case] in which the Supreme Court ruled that lenders in states with high interest rate ceilings could export those high rates to consumers residing in states with more restrictive interest rate ceilings. The result of this ruling was an expansion of credit card availability and a reduction in the average credit quality of cardholders.

After the *Marquette* ruling, many states increased or eliminated their usury limits in order to compete for the business of national lenders and allow state-chartered banks to compete more equally with national ones.<sup>3</sup> According to an article published by the Federal Reserve Bank of St. Louis in 2006, the result was “a massive expansion in credit card availability and a reduction in the average credit quality of card holders,” one of several factors contributing to a striking increase in bankruptcy filings in the last quarter of the 20<sup>th</sup> century. The article notes two characteristics of that period that have made individuals more susceptible to income shocks and thus more likely to file for bankruptcy: consumer debt as a percent of income increased from about 15% of personal income in 1980 to more than 20% of income in the second quarter of 2005 and Americans have been saving less and spending more by taking on more debt.<sup>4</sup> Figure 1 illustrates the rise in revolving consumer credit since the time of the *Marquette* ruling; figure 2 from the St. Louis Fed article, shows a similar rise in bankruptcies.

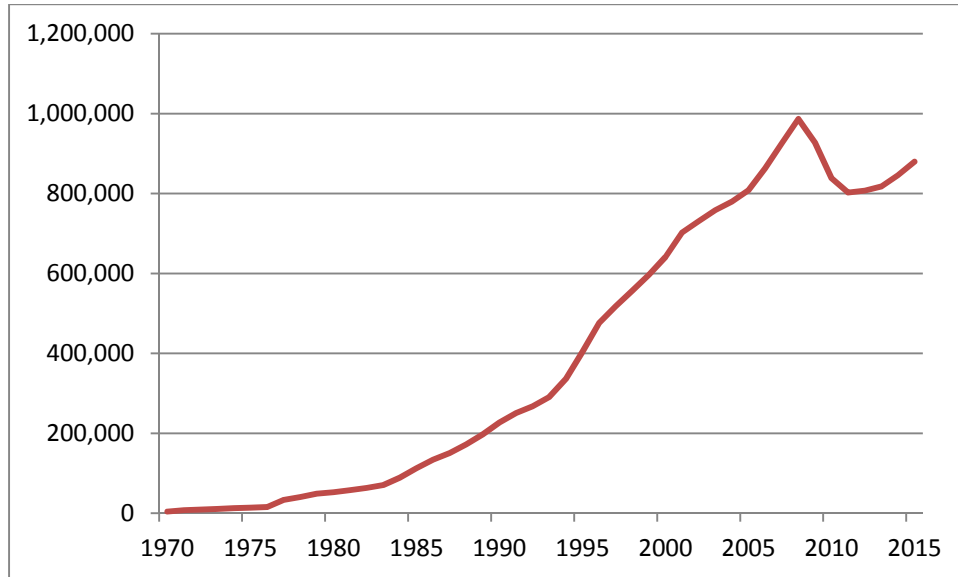
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<sup>3</sup> Tennessee’s current usury limit is the greater of 24% or 4% above prime.

<sup>4</sup> Garret 2006.

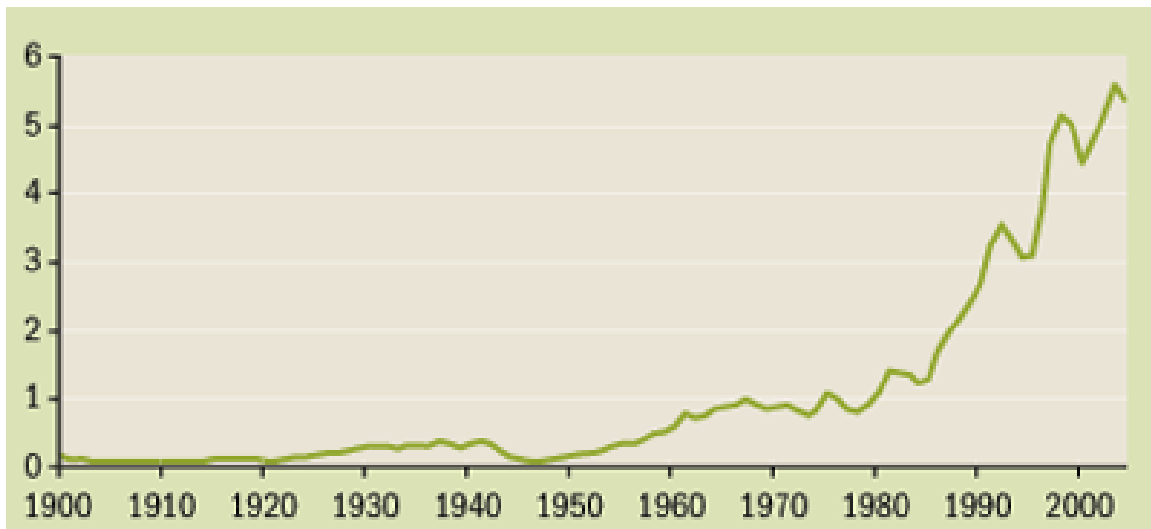


**Figure 1. Revolving Consumer Credit Outstanding in the US  
(Millions of dollars; not seasonally adjusted)**



Source: Board of Governors of the Federal Reserve System, Historical Data, Consumer Credit - G.1  
Note: Revolving credit outstanding is mostly credit card debt but also includes prearranged overdraft plan debt.

**Figure 2. Personal Bankruptcies in the US, 1900 to 2004  
per thousand population**



## ***Bankruptcy reform in the 1970s***

Exemption laws also play an important role in federal bankruptcy law, and it is here that they enjoy a higher profile. The treatment of state property exemptions in the federal bankruptcy code of 1978 resulted from a compromise between the House, which sought to establish a mandatory system of federal exemptions, and the Senate, which sought to incorporate state exemption laws as the older bankruptcy law did.

*The Political Economy of Property Exemption Laws*  
Eric A. Posner, Richard Hynes, and Anup Malani<sup>5</sup>

By the time of the Marquette decision, Congress had been considering bankruptcy reform for roughly a decade. As Bret Fulkerson, Assistant Attorney General, Texas Attorney General's Office put it, "Unlike other major amendments to United States bankruptcy law, the 1978 Act was not passed in response to an economic downturn. Instead, changes were made to the 1898 Act because it was perceived as outmoded and unresponsive to the needs of both debtors and creditors." The last major change was 40 years earlier.<sup>6</sup> The wide disparity in state exemption laws created a hodgepodge that creditors and bankruptcy courts found difficult to administer. This hodgepodge also made navigating the bankruptcy process and making a fresh start difficult for debtors. In response to these concerns, Congress modernized the US bankruptcy code. The Bankruptcy Reform Act of 1978 established independent federal bankruptcy courts;<sup>7</sup> listed a set of exemptions for debtors, including a homestead exemption; and eased the process of filing for Chapter 13, which allows debtors to repay their debt without selling (liquidating) their assets. Until then, Chapter 7, which allows debtors to discharge most of their debts but may require them to give up some of their property, was the only alternative available to most debtors.

## ***Tennessee's high bankruptcy rates***

Consumers end up in bankruptcy court for many reasons. Medical bills,<sup>8</sup> job loss, and other income reduction or divorce-related costs are frequently cited as reasons.<sup>9</sup> Financing everyday expenses with credit cards as discussed earlier, accumulating student loan debt, and taking on

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<sup>5</sup> Posner et al. 2001, p. 1.

<sup>6</sup> The Chandler Act of 1938 first established Chapter 13.

<sup>7</sup> They are adjuncts to the federal district courts, which handled bankruptcy cases before that time and retain authority to issue final orders in bankruptcy cases.

[http://www.fjc.gov/history/home.nsf/page/courts\\_special\\_bank.html](http://www.fjc.gov/history/home.nsf/page/courts_special_bank.html).

<sup>8</sup> Himmelstein et al. 2009.

<sup>9</sup> Garrett 2007.

high-risk home loans may also lead a consumer to bankruptcy. When consumers fall behind in paying revolving credit such as credit cards,<sup>10</sup> debt can increase quickly because of late fees, interest rate hikes, and over-limit fees. Citing other research, the 2006 St. Louis Fed article quoted above identifies the typical person filing for bankruptcy as “a blue collar, high school graduate who heads a lower middle-income class household and who makes heavy use of credit” and identifies the primary cause of personal bankruptcy as “a high level of consumer debt often coupled with an unexpected insolvency event, such as divorce, job loss, death of a spouse or a major medical expense not covered by insurance.”<sup>11</sup>

Tennessee is widely recognized as having the highest overall bankruptcy filing rate per capita in the country but is one of only nine states, mostly southern, in which most people filing for bankruptcy do so under Chapter 13.<sup>12</sup> See Map 1. Tennessee ranks first for Chapter 13 filings and tenth for Chapter 7 filings, and more bankruptcy filers in Tennessee use Chapter 13 (59.7%) than all but three other states. Nationally, 36% of bankruptcy filers use Chapter 13. See appendix B for bankruptcy filings by state, appendix C for a comparison of federal bankruptcy Chapters 7 and 13, and appendix D for a description of all federal bankruptcy chapters.

Based on research reported in a 2009 article in the *Journal of Law and Economics*, Tennessee’s overall high rank for bankruptcy filings may be directly connected to its high percentage of debtors using Chapter 13 or the demographics of its population, including family structure, race, and education, but it is not likely that it has anything to do with the state’s property exemption amounts, largely because few bankruptcies involve significant assets:

To the extent that the legal system places little pressure on delinquent debtors, many individuals may default on their debts without filing for bankruptcy . . . . Indeed, comparisons of bankruptcy rates across any two states may be largely uninformative regarding the rate of default if their policies regarding garnishment are not the same.

Another important predictor of state level bankruptcy filing rates is the fraction of bankruptcies filed under Chapter 13 of the bankruptcy code. This fraction is extremely stable over time, plausibly suggesting that it represents the legal culture of the attorneys and bankruptcy courts in the state. Chapter 13 bankruptcies require filers to repay a fraction of their debts. Since debtors are

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<sup>10</sup> Revolving credit allows debtors to withdraw a loan, repay it in full or in part, and redraw the balance again and does not have a fixed number of payments.

<sup>11</sup> Garrett 2006.

<sup>12</sup> The nine states are, in order from highest to lowest percentage for Chapter 13 filings, Louisiana (71.5%), Alabama (64.0%), South Carolina (59.8%), Tennessee (59.7%), North Carolina (59.4%), Texas (59.3%), Georgia (56.6%), Arkansas (53.5%), and Mississippi (51.9%).

usually unable to comply with the terms of their repayment plan, the majority of such bankruptcies are dismissed. Debtors whose bankruptcies are dismissed often file again, increasing the total number of bankruptcy filings. Thus legal institutions also play an important role in understanding the variation across states in observed bankruptcy rates.

Demographics also matter. Family structure, race, and education are all strong predictors of bankruptcy. Filing rates are most common in zip codes with many households with incomes between 30 and 60 thousand dollars, underscoring the importance of bankruptcy as consumption insurance for the middle class. Filing rates appear highest for individuals in their late twenties and lowest for individuals in their peak earning years between 30 and 49. If demographic factors were equalized across states, holding policy variables fixed, the variation in filing rates would decline by about 40 percent.

Note what does not appear to matter: exemption rates, the size of the public safety net, and the legality of payday lending all are incapable of explaining practically any of the variation in filing rates across states. The exemption rate finding is particularly surprising, though it appears quite robust. Exploratory research on individual filings suggests that only a small fraction of bankruptcies involve substantial exempt assets.<sup>13</sup>

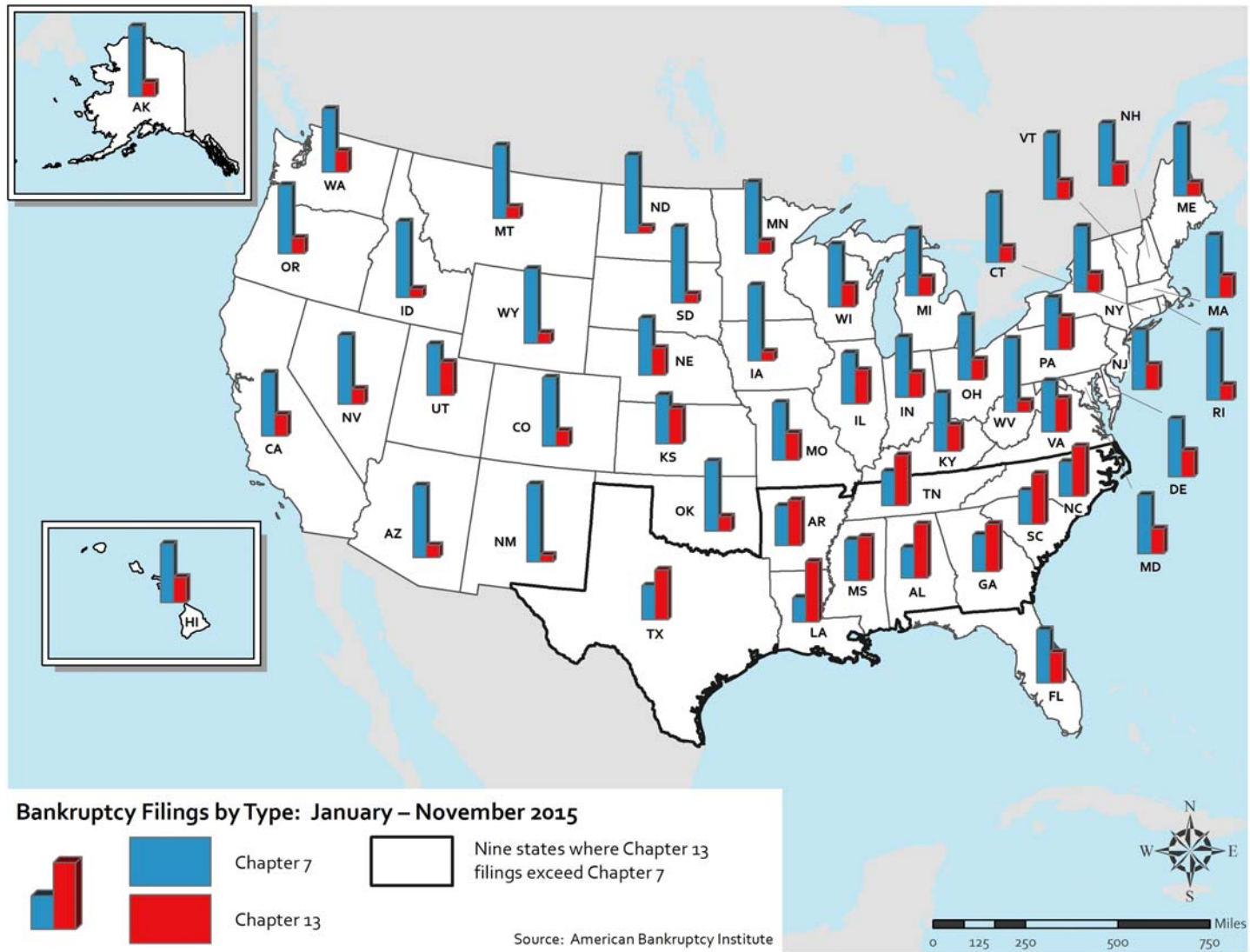
In fact, a 1997 study of personal bankruptcy and credit found that the larger a state's property exemptions for bankruptcy purposes the more likely potential borrowers in that state are to be denied credit or discouraged from applying to borrow.<sup>14</sup>

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<sup>13</sup> Lefgren and McIntyre 2009, 391-392.

<sup>14</sup> Gropp et al. 1997.

Map 1: Bankruptcy Filings by Type: January – November 2015



## ***Balancing the interests of debtors and creditors in bankruptcy***

Property exemption and bankruptcy laws seek to promote a balance between the interests of debtors and creditors. The federal bankruptcy law in particular, especially with changes enacted by Congress in 2005 to make filing under Chapter 7 more difficult, reflects an attempt to treat creditors fairly while providing mechanisms for debtors to either completely discharge their debt or repay a portion of it based on their financial ability. State property exemption laws, like the federal bankruptcy laws, allow debtors to exempt certain assets from the claims of creditors, usually up to specified dollar amounts but occasionally without limit, in order to avoid leaving them destitute. As Assistant Texas Attorney General Fulkerson describes it,

The Code provides for the debtors' interests by giving them the ability to embark on a fresh start after financial failure by means of liquidation or a restructured payment plan. Conversely, creditors are given an opportunity to collect on some portion of the debtors' contractual obligations through the bankruptcy laws. On a more fundamental level, bankruptcy laws attempt to reconcile countervailing social interests in seeing that obligations to repay debt are fulfilled while allowing individuals to maintain dignity and self-respect after financial ruin. The balance is effected by subjective assessments of debtors, creditors, society, and the administrators of the bankruptcy system.

As explained in an article about bankruptcy on the official website of the Judicial Branch of the U.S. Government, giving debtors a fresh start has long been an element of federal bankruptcy laws:

A fundamental goal of the federal bankruptcy laws enacted by Congress is to give debtors a financial "fresh start" from burdensome debts. The Supreme Court made this point about the purpose of the bankruptcy law in a 1934 decision:

[I]t gives to the honest but unfortunate debtor...a new opportunity in life and a clear field for future effort, unhampered by the pressure and discouragement of preexisting debt. *Local Loan Co. v. Hunt*, 292 U.S. 234, 244 (1934).

This goal is accomplished through the bankruptcy discharge, which releases debtors from personal liability from specific debts and prohibits creditors from ever taking any action against the debtor to collect those debts.

But by 2005, the consensus was that the federal law unduly favored the interests of debtors over those of creditors, and Congress responded with the only substantial change in federal bankruptcy law since 1978. The Bankruptcy Abuse Prevention and Consumer Protection Act in 2005 enhanced protections for creditors and established additional precautions and limitations for filers including provisions aimed directly at curbing abuse. The amendments, as described

in a 2006 Golden Gate University Law Review article, evidenced the largest shift in bankruptcy policy since 1898 and included

- 1) a new “means test” and presumption of abuse,
- 2) pre-petition financial counseling,
- 3) post-petition education requirements,
- 4) limiting the number of discharges in chapters 7 and 13,
- 5) extending the time between Chapter 7 discharges from six to eight years ,
- 6) expanding the scope of non-dischargeable debt,
- 7) rigorous disclosures for debtors and dismissal provisions for failure to comply,
- 8) expanding exceptions to the automatic stay,
- 9) expanding conditions under which the automatic stay is terminated,
- 10) domestic support obligations gaining first priority status,
- 11) limitations on homestead exemptions, and
- 12) anti-modification provisions regarding most under-secured creditor purchase money security interest claims in chapter 13 cases.

### ***Exemptions as protection against the forced sale of assets***

Property exemption laws permit debtors to protect certain real and personal property from unsecured creditors. Homeowners may be able to exempt all or a portion of the equity in their primary residence through homestead exemptions. The federal homestead exemption and some state exemptions can also help renters exempt personal property. The federal bankruptcy code as well as Tennessee law also provides an exemption for tools of the trade used by the debtor to make a living (i.e., auto tools for an auto mechanic or dental tools for a dentist).

Homestead exemptions play an important role outside of bankruptcy as well, and in fact, state laws paralleling the exemptions provided in the federal bankruptcy code apply far more broadly. Examples from a working paper published by the law school of the University of Chicago illustrate the differences between how they work in suits against debtors generally and how they work in bankruptcy:

A creditor lends \$1,000 to a debtor, and that debtor defaults on the loan. Under ordinary contract principles, the creditor could sue the debtor for breach of contract, obtain a judgment, and then have a local official seize assets of the debtor, which would be sold with the proceeds going to the creditor to the extent of its claim. Suppose that the debtor’s only valuable asset is an automobile worth \$2,000, and the relevant property exemption law says that a debtor’s automobile is an exempt asset up to a value of \$2,500. Then the local

official would refuse to liquidate the creditor's claim by seizing the automobile. The creditor's claim would continue to be valid, and the creditor could enforce it against any nonexempt assets that the debtor might subsequently obtain. The creditor would in most states be able to garnish a portion of the debtor's wages. But the automobile would be safe.

A debtor cannot agree to waive exemption laws in return for a lower interest rate: like usury laws, exemption laws supply mandatory, rather than default, rules. However, exemption laws can sometimes be circumvented, albeit imperfectly, through security interests and other arrangements. If, in our example, the creditor had obtained a security interest in the automobile when it lent the \$1,000 to the debtor, default would give the creditor the right to seize the automobile and sell it in satisfaction of its claim.

Exemption laws operate the same way in bankruptcy under Chapter 7 of the Bankruptcy Code . . . as they do outside of bankruptcy. If the debtor in our first example files for bankruptcy, then his nonexempt assets would be liquidated with the proceeds divided among all of his unsecured creditors. If the debtor owns a painting worth \$200 (in addition to the car), and the state property exemption law does not refer to paintings or other goods of which a painting might be a kind, then the painting is a nonexempt asset. The trustee could sell the painting but not the car, and the \$200 would be distributed to the creditors. In addition, in bankruptcy the debtor can discharge the unsatisfied portion of the creditor's claim, so the creditor would not be able to seize nonexempt assets that the debtor subsequently obtains. The debtor remains roughly as vulnerable to secured creditors in bankruptcy as outside bankruptcy; if a creditor has a security interest in the car, the debtor could retain the automobile only if the creditor were repaid in full.<sup>15</sup>

Although the exemptions can be used to protect property from any judgment, they are most often used in bankruptcy proceedings. In fact, debtors sometimes file bankruptcy to protect their property from other types of judgments, particularly their homes. Filing bankruptcy temporarily halts repossession and foreclosure attempts, and filing under Chapter 13 can allow debtors to work out their debt and keep most or even all of their property, although Chapter 7 is where property exemptions play their most direct role. And while most debtors who file under Chapter 7 in Tennessee either do not own a home or have no equity in their homes, the homestead exemption is nevertheless important to the minority of Chapter 7 filers who are homeowners.

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<sup>15</sup> Posner et al. 2001.



## ***Homestead exemptions in Tennessee and other states***

The first states to offer homestead exemptions were Georgia and Mississippi in 1841, although; Texas adopted its first homestead exemption in 1829 while still a part of Mexico. Tennessee's homestead exemption dates back to 1852 and was originally set at a maximum of \$500.<sup>16</sup> Eighteen years later, Tennessee's 1870 constitution increased that exemption to \$1,000 where it remained for more than 100 years. The 1977 state constitutional convention increased the exemption to \$5,000 and gave the legislature the ability to increase it further.

The following year, the US Bankruptcy Reform Act of 1978 established an individual homestead exemption of \$7,500, which was \$2,500 more than the state exemption at that time, and an exemption of \$15,000 for joint filers, double the federal exemption for individuals and \$10,000 more than the state exemption. The set of federal exemptions is available in whole or in part to debtors in all states unless the state has passed a law saying otherwise.<sup>17</sup> Thirty-one states including Tennessee currently have laws limiting their residents to state exemptions. Residents of 17 states can choose between state and federal exemptions. Two states, New Jersey and Pennsylvania, have not established their own homestead exemptions; residents there rely on the federal homestead exemptions.

Reacting to the new federal law, the Tennessee General Assembly enacted Public Chapter 919, Acts of 1980, which added a \$7,500 exemption for joint owners, half the federal amount for joint filers while limiting all Tennessee filers to using only state exemptions. Although the federal amounts increase with inflation and are now \$22,975 for individuals and \$45,950 for joint filers,<sup>18</sup> Tennessee's exemptions remain at \$5,000 for individuals and \$7,500 for joint owners to this day. And while Tennessee's homestead exemptions are limited to the filer's primary residence, the federal homestead exemption allows filers to apply up to \$11,500 to other real property or to personal property if they cannot use it for equity in their primary residence. Eleven states similarly allow filers to use a portion of their unused homestead exemption for other property.

Federal exemptions also include \$1,225 for other real or personal property, which if combined with the portion of the federal homestead exemption that can be used for that purpose allows renters others with no equity in a primary residence to exempt more of their personal property than Tennessee's \$10,000 personal property exemption allows. Individual homeowners in Tennessee can exempt a total of \$15,000 in real and personal property combined using this and the homestead exemption compared with a total of \$24,200 if the federal exemptions were available. See appendix E for a comparison of the federal and Tennessee exemptions.

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<sup>16</sup> Acts of 1851-52, Chapter 161.

<sup>17</sup> Public Chapter 61, Acts of 1979, restricted the homestead exemption to real property that is the claimant's principal place of residence.

<sup>18</sup> Amounts will be adjusted April 1, 2016.

## Attempts to update Tennessee's homestead exemptions

Concerned that Tennessee's homestead exemption amounts have fallen behind, members of the General Assembly have attempted to increase them 13 times in just the last 20 years. The most recent attempt was in 2012 when a bill was introduced to create an unlimited homestead exemption (House Bill 2887 by Casada, Senate Bill 2797 by Bell). The bill was supported by the Home Builders Association of Tennessee, whose representatives say that an unlimited exemption would help Tennessee compete economically with other states that have unlimited homestead exemptions, such as Florida and Texas. Other attempts included

- five bills<sup>19</sup> that sought to increase the homestead exemption for all homeowners, all of which failed;
- seven bills<sup>20</sup> that sought to create new categories of debtors with enhanced exemptions, two of which were enacted:
  - Public Chapter 659, Acts of 2004, gave individuals who are 62 years of age or older a \$12,500 exemption. The exemption increases to \$20,000 for married homeowners if only one is 62 years of age or older and \$25,000 if both are 62 years of age or older.
  - Public Chapter 560, Acts of 2007, gave individuals with one or more minor children an exemption of \$25,000.

The Tennessee Supreme Court ruled in a 2009 case that current law allows "each of two individuals who are married and have custody of a minor child to claim a \$25,000 homestead exemption on real property that each owns and uses as a principal place of residence," bringing the total for them to \$50,000.<sup>21</sup>

Figure 3 suggests part of the reason for the legislature's continued interest in revising Tennessee's exemption amounts. Housing prices in Tennessee have generally tracked the national average since the mid-70s, but the Tennessee and federal homestead exemptions have diverged so that the difference between them in how they relate to median housing prices has grown. Tennessee exemption has always been smaller in relation to median Tennessee housing prices than the federal exemption was in relation to national median housing prices, but the gap has widened. In 1979, Tennessee's individual homestead exemption was 12% of the state median housing price; the federal homestead exemption was

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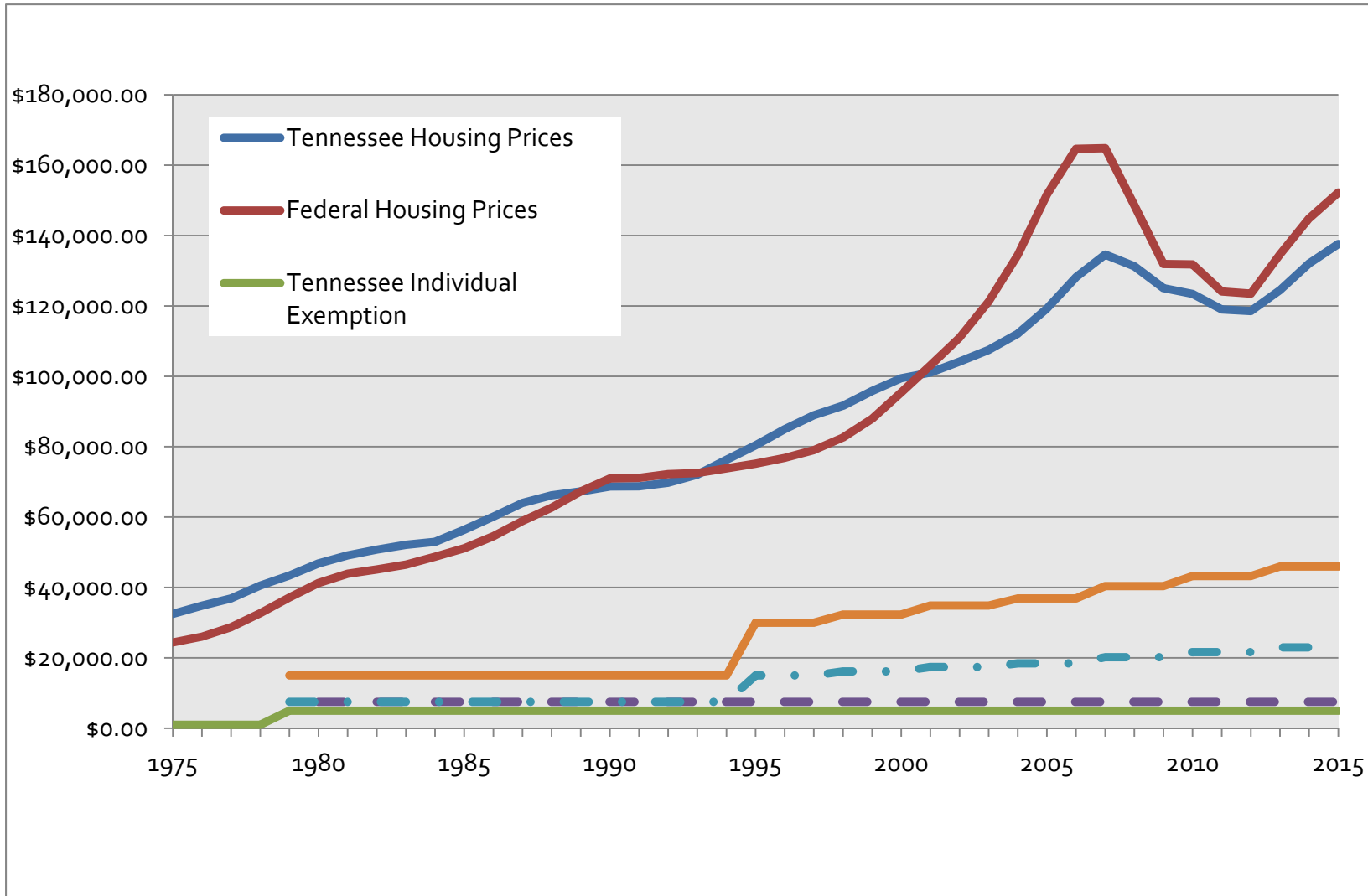
<sup>19</sup> Senate Bill 2747 by Bell, House Bill 2930 by Brooks (2012); Senate Bill 2797 by Bell, House Bill 2887 by Casada (2012); Senate Bill 424 by Bunch, House Bill 871 by Brooks (2009); Senate Bill 3742 by Ford, House Bill 3564 by Kernell 2006; Senate Bill 0843 by Harper, House Bill 0437 by Cooper (2005).

<sup>20</sup> Senate Bill 3197 by Bunch, House Bill 3707 by Brooks (2007); Senate Bill 1920 by Jackson, House Bill 1703 by Shephard (2005); SJR44 by Norris (2004); Senate Bill 2667 by Person, House Bill 2526 by Buck (1998); Senate Bill 1986 by Ford, House Bill 1733 by Stulce (1998).

<sup>21</sup> *In re Hogue*, 286 S.W.3d 890 (Tenn. 2009).

20% of the US median housing price. By 2015, Tennessee's percentage for individual filers had declined to 4%, but the federal percentage had declined only to 15%. Similarly, since 1980, Tennessee's percentage for joint filers has declined from 16% to 5%, while the federal ratio declined only from 36% to 30%. See appendix F.

Figure 3: Housing Prices between 1975 and 2015 Compared to Homestead Exemption Amounts between 1975 and 2015



Source: Freddie Mac House Price Index 1975-Current

Concerns about the declining value of the standard homestead exemptions of \$5,000 for individuals and \$7,500 for joint owners led the General Assembly to enact Public Chapter 326, Acts of 2015, requiring the Commission to study the homestead exemption amounts in the state's bankruptcy law and determine whether they should be increased to accurately reflect the cost of living. The act also requires the Commission to compare the various categories of homestead exemptions in detail to those of other states. See appendix A.

Tennessee bankruptcy trustees and attorneys speaking before the Commission on September 3, 2015, would prefer to see a single homestead exemption amount for every homeowner filing for bankruptcy rather than exemptions that depend on marital status, age, and whether the filer has dependents. See appendix G for a list of panelists who appeared before the Commission and a summary of their testimony. The attorney who spoke on behalf of debtors said that any simplified exemption should not be lower than current amounts. An attorney who spoke on behalf of creditors proposed combining all current exemption amounts into a single amount applicable to all real and personal property for every filer. The amount could be larger for Chapter 13 than for Chapter 7 in order to encourage filers to repay their debt, but adopting different sets of exemptions for Chapters 13 and 7 could slow the flow of cases through the bankruptcy system and complicate the determination of repayment amounts under Chapter 13, which are based on amounts that would be recovered under Chapter 7.

### **Comparing Tennessee's homestead exemptions to those in other states**

Like the federal bankruptcy laws, every state offers exemptions for personal property, which may include motor vehicles, jewelry, tools of the trade, Bibles, personal injury recoveries, wrongful death recoveries, and business partnerships and property.<sup>22</sup> In addition to the \$5,000 individual homestead exemption and \$10,000<sup>23</sup> personal property exemption, Tennessee provides a \$1,900<sup>24</sup> exemption specifically for tools of the trade. Tennessee also offers exemptions of \$7,500 for personal injury recoveries, \$10,000 for wrongful death recoveries, or a maximum \$15,000 for a combination of the two.<sup>25</sup> Thus, the maximum total exemptions available for a Tennessee filer entitled only to the individual homestead exemption is \$31,900.

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<sup>22</sup> The homestead exemption is the largest among the set of federal exemptions as well.

<sup>23</sup> Tennessee Code Annotated, Section 26-2-103.

<sup>24</sup> Tennessee Code Annotated, Section 26-2-111.

<sup>25</sup> Tennessee Code Annotated, Section 26-2-111(2).

Forty-seven states offer a set of exemptions valued higher than Tennessee's (see appendixes H-1 and H-2). The only two that do not are Alabama (\$22,500) and Missouri (\$28,700), which offers unlimited exemptions for personal injury recoveries and wrongful death recoveries. Eight other states would fall below Tennessee if they did not either offer an unlimited homestead exemption (Florida, Kansas, and South Dakota) or allow residents to use the federal exemption (Hawaii, Kentucky, New Jersey, Pennsylvania) or both (Arkansas).

In fact, most states have higher homestead exemptions than Tennessee (see maps 2 and 3). Some allow residents to choose between the state and the federal exemptions, and some automatically increase the exemption amounts every two or three years for inflation. One adjusts its amount once every six years. See table 1. Twenty-four states have established a single homestead exemption amount,<sup>26,27</sup> including seven with unlimited exemptions;<sup>28,29</sup> twelve more have established separate amounts for individuals and for joint filers or allow joint filers to double the individual exemption.<sup>30,31</sup> The remainder, including Tennessee, have created several categories of debtors with different exemption amounts.

There is no requirement that a state offer the same homestead exemption for bankruptcy and other judgments. For example, three states—Georgia, Maryland, and Michigan—limit the homestead exemption to bankruptcy. In the case of West Virginia, individuals may claim a \$25,000 homestead exemption in bankruptcy but only \$5,000 for all other proceedings.

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<sup>26</sup> Alaska, Arizona, Arkansas, California, Delaware, Florida, Idaho, Iowa, Kansas, Maryland, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, North Dakota, Oklahoma, Rhode Island, South Dakota, Texas, Vermont, and Washington.

<sup>27</sup> California has two options, one of which is only available in bankruptcy—it does not have a separate joint amount but the option that is allowed in or out of bankruptcy does have a joint amount.

<sup>28</sup> Arkansas, Florida, Iowa, Kansas, Oklahoma, South Dakota, and Texas.

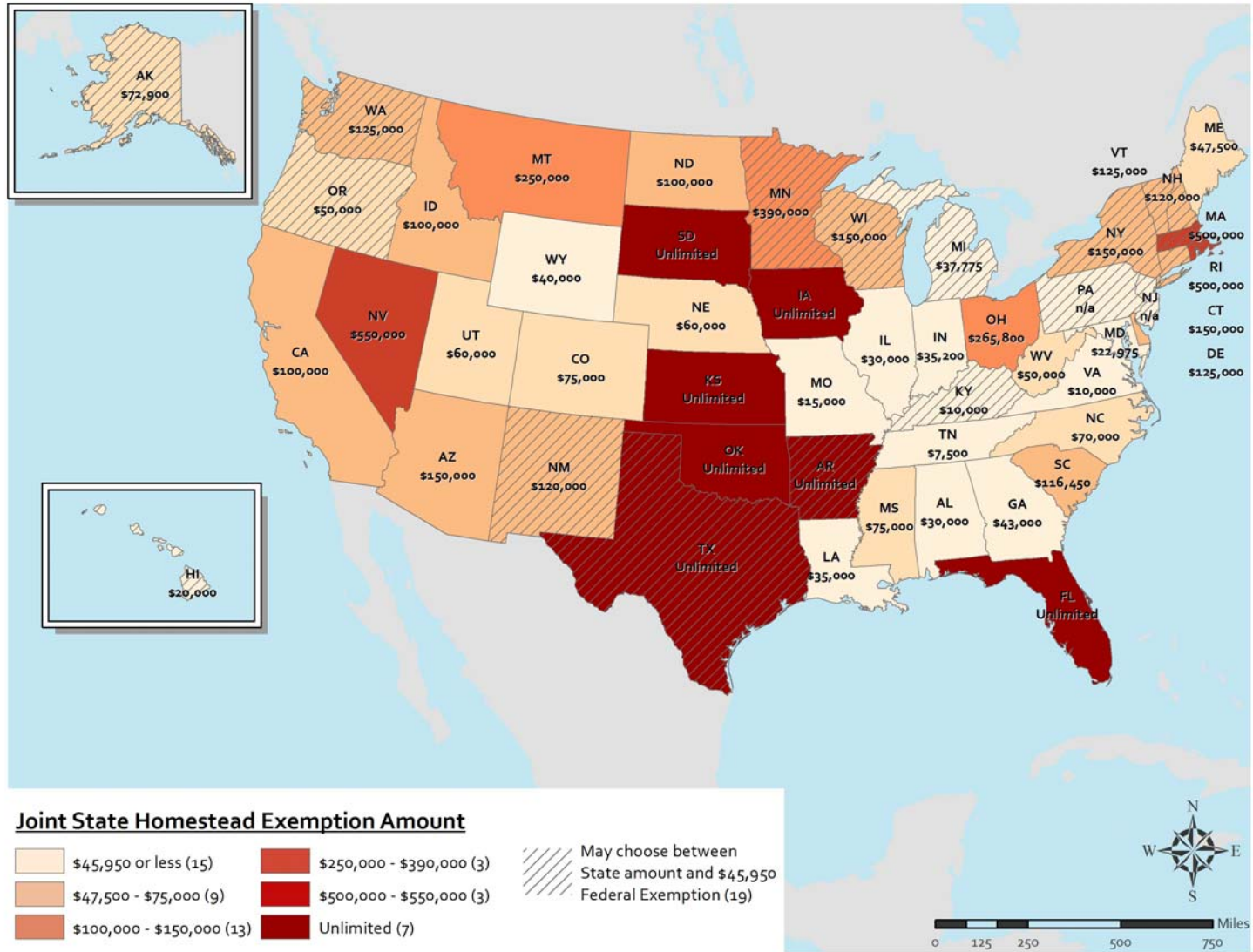
<sup>29</sup> Arkansas only offers an unlimited exemption for married individuals or head of family.

<sup>30</sup> Alabama, Georgia, Illinois, Indiana, Kentucky, New Mexico, New York, Oregon, South Carolina, Utah, Wisconsin, and Wyoming.

<sup>31</sup> For some counties New York has an individual exemption higher than their standard \$75,000—Dutchess, Albany, Columbia, Orange, Saratoga and Ulster have an exemption of \$125,000; Kings, Queens, New York, Bronx, Richmond, Nassau, Suffolk, Rockland, Westchester and Putnam have a \$150,000 exemption.



Map 3. Joint Homestead Exemptions by State





**Table 1. Frequency and Basis for Adjusting Homestead Exemption Amounts**

Government	Year	Frequency	Basis
Federal	1994	3 years	Consumer Price Index for all urban consumers
Alabama	2015	3 years	Consumer Price Index using US Dept. of Labor but at the State Treasurers discretion
Alaska	1982	2 years	Consumer Price Index for all urban consumers for the Anchorage Metropolitan Area
California	2003	2 years	California Consumer Price Index for all urban consumers
Indiana	2005	6 years	Consumer Price Index for all urban consumers
Michigan	2004	3 years	Consumer Price Index for all urban consumers in the area of Detroit-Ann Arbor-Flint, Michigan
Minnesota	2005	2 years	Implicit Price Deflator (IPD) for the Gross Domestic Product
Ohio	2012	3 years	Consumer Price Index for all urban consumers using US Dept. of Labor
South Carolina	2006	2 years	Consumer Price Index for all urban consumers for the southeastern region

**Some states periodically adjust exemption amounts for inflation.**

If each Tennessee category had increased with inflation, their current values would be

- \$18,513 for single (since 1978),
- \$21,907 for joint (since 1980),
- \$15,732 for an individual 62 or older—which is lower than the \$18,513 for an individual (since 2004),
- \$25,170 for a married couple with one spouse 62 or older (since 2004),
- \$31,463 for a married couple with both spouses 62 or older (since 2004),
- \$28,616 for an individual with custody of a minor child, doubled to \$57,232 for spouses with custody of a minor child (since 2007).<sup>32</sup>

Eight states, as well as the federal government, adjust their homestead exemptions periodically to reflect increases in inflation based on the average change in the cost of living for

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<sup>32</sup> U.S. Department of Labor, Bureau of Labor Statistics, United States Consumer Price Index for All Urban Consumers (CPI-U) as of April of each year, <http://www.dlt.ri.gov/lmi/pdf/cpi.pdf>.

the years between adjustments (see table 1). Most recently, the neighboring state of Alabama, in legislation that passed unanimously in 2015, both increased its homestead exemption and indexed it for inflation. The homestead exemption amount for individuals, which had been unchanged since 1980, was tripled from \$5,000 to \$15,000; that amount is doubled for joint filers. None of the states that index their exemptions for inflation decrease them during economic downturns.

### **Most states do not allow residents to use the federal exemption.**

Initially, 37 states chose to limit residents to state exemptions, but since 1978, six states (Alaska, Arkansas, Kentucky, New York, New Hampshire, and Oregon) have reversed course and now allow their residents to choose between the federal and state exemptions. Twenty-two of the 31 states that do not allow residents to use the federal exemptions have higher homestead exemptions than the federal amounts.<sup>33</sup> One, Maryland, sets its homestead exemption amount to the federal amount but does not allow joint filers to double it. Only eight including Tennessee<sup>34</sup> offer an individual homestead exemption less than the federal amount. Tennessee's is the lowest of these. The highest, \$21,500 for individuals (double for joint filers), is in the neighboring state of Georgia.<sup>35</sup>

Five of the 22 states that do not allow residents to use the federal exemptions but have higher state exemptions—Florida, Iowa, Kansas, Oklahoma, and South Dakota—offer unlimited homestead exemptions.<sup>36</sup> Exemptions in the remaining 17 states range from \$25,000 for individuals and \$50,000 for joint filers (West Virginia) to \$550,000 for individuals with no doubling for joint filers (Nevada).<sup>37</sup> Ohio, one of these 17, increased its homestead exemption from \$5,000 for an individual to the federal exemption amount in 2008 and further increased its exemption amount to \$125,000 (subject to doubling for joint) just four years later.<sup>38</sup>

The homestead exemption amounts in the 17 states that allow a choice between state and federal exemptions range in value from \$5,000 for individuals and \$10,000 for joint filers

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<sup>33</sup> Arizona, California (both options), Colorado, Delaware, Florida, Idaho, Iowa, Kansas, Oklahoma, Louisiana, Maine, Mississippi, Montana, Nebraska, Nevada, North Carolina, North Dakota, Ohio, South Carolina, South Dakota, Utah, and West Virginia.

<sup>34</sup> Alabama, Georgia, Illinois, Indiana, Missouri, Virginia, and Wyoming.

<sup>35</sup> Joint exemption is limited to a debtor who is married but has full individual ownership of the home - In re Taylor, 320 B.R. 214 (Bkrcty.N.D.Ga., 2005).

<sup>36</sup> All states with unlimited homestead exemptions have acreage restrictions.

<sup>37</sup> Arizona, Delaware, Montana, Nevada, Ohio, and South Carolina.

<sup>38</sup> David Gold, Legislative Services Attorney, State of Ohio, email correspondence with Tyler Carpenter, July 8, 2015.

(Kentucky) to a flat exemption of \$500,000 (Massachusetts and Rhode Island). Texas offers an unlimited homestead exemption to all filers. Arkansas also offers an unlimited exemption but only to families or heads of families.<sup>39</sup> New Jersey and Pennsylvania have not established their own homestead exemptions; residents there use the federal exemption.

### **Fifteen states offer larger homestead exemptions to certain groups of debtors.**

Fifteen states including Tennessee have established higher exemptions for certain groups of debtors (see table 2). In addition to Arkansas' unlimited exemption for families and heads of families, which includes filers who are married and those with dependents, higher exemptions have been made available to four groups of filers in various states:

- Seniors—ten states
  - over the age of 60: Colorado, Maine, and Mississippi
  - 62 or older in Tennessee
  - over the age of 62 in Massachusetts
  - 65 or older in California, Michigan, North Carolina, and Virginia
  - over the age of 65 in Hawaii.
- Filers with dependent minor children—five states: California, Hawaii, Maine, Tennessee, and Virginia.
- Filers with medical debt—four states: Connecticut, Louisiana, Ohio, and West Virginia.
- Filers with disabilities—five states: California, Colorado, Maine, Massachusetts, and Michigan.

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<sup>39</sup> The state exemption for all others is only \$800, but all residents have the option of using the federal exemptions.

**Table 2: Homestead Exemptions by State and Special Category**

State	Federal Exemptions Allowed?	State Exemptions						
		Individual	Joint	Seniors	Filers with . . .			
					Dependent Minor Children	Medical Debt	Disabilities	
Alabama	no	\$15,000	\$30,000	n/a	n/a	n/a	n/a	n/a
Alaska	yes	\$72,900	n/a	n/a	n/a	n/a	n/a	n/a
Arizona	no	\$150,000	n/a	n/a	n/a	n/a	n/a	n/a
Arkansas <sup>40</sup>	yes	Unlimited for families and heads of families (those with dependents); otherwise \$800						
California								
• in general	no	\$75,000	\$100,000	≥65	\$175,000	\$100,000	n/a	\$175,000
• only in bankruptcy	no	\$25,575	n/a	n/a	n/a	n/a	n/a	n/a
Colorado	no	\$75,000	n/a	>60	\$105,000	n/a	n/a	\$105,000
Connecticut	yes	\$75,000	\$150,000	n/a		n/a	\$125,000	n/a
Delaware	no	\$125,000	n/a	n/a		n/a	n/a	n/a
Florida	no	Unlimited						

<sup>40</sup> In addition to the federal, residents may choose between two lists of exemptions.

State	Federal Exemptions Allowed?	State Exemptions						
		Individual	Joint	Seniors		Filers with . . .		
						Dependent Minor Children	Medical Debt	Disabilities
Georgia (bankruptcy only)	no	\$21,500	\$43,000	n/a		n/a	n/a	n/a
Hawaii	yes	\$20,000	n/a	>65	\$30,000	\$30,000	n/a	n/a
Idaho	no	\$100,000	n/a	n/a		n/a	n/a	n/a
Illinois	no	\$15,000	\$30,000	n/a		n/a	n/a	n/a
Indiana	no	\$17,600	\$35,200	n/a		n/a	n/a	n/a
Iowa	no	Unlimited						
Kansas	no	Unlimited						
Kentucky	yes	\$5,000	\$10,000	n/a		n/a	n/a	n/a
Louisiana	no	\$35,000	n/a	n/a		n/a	Unlimited for catastrophic or terminal injury	n/a
Maine	no	\$47,500	n/a	>60	\$95,000 individual \$190,000 joint	\$95,000	n/a	\$95,000 individual \$190,000 joint
Maryland (bankruptcy only)	no	\$22,975	\$45,950	n/a		n/a	n/a	n/a

State	Federal Exemptions Allowed?	State Exemptions						
		Individual	Joint	Seniors		Filers with . . .		
						Dependent Minor Children	Medical Debt	Disabilities
Massachusetts	yes	\$500,000	n/a	>62	\$750,000 individual \$1,000,000 joint	n/a	n/a	\$750,000 individual \$1,000,000 joint
Michigan (bankruptcy only)	yes	\$37,775	n/a	≥65	\$56,650	n/a	n/a	\$56,650
Minnesota	yes	\$390,000	n/a	n/a		n/a	n/a	n/a
Mississippi	no	\$75,000	\$75,000	>60	May reside elsewhere	n/a	n/a	n/a
Missouri	no	\$15,000	n/a	n/a		n/a	n/a	n/a
Montana	no	\$250,000	n/a	n/a		n/a	n/a	n/a
Nebraska	no	\$60,000	n/a	n/a		n/a	n/a	n/a
Nevada	no	\$550,000	n/a	n/a		n/a	n/a	n/a
New Hampshire	yes	\$120,000	n/a	n/a		n/a	n/a	n/a
New Jersey	yes	n/a						
New Mexico	yes	\$60,000	\$120,000	n/a		n/a	n/a	n/a

State	Federal Exemptions Allowed?	State Exemptions						
		Individual	Joint	Seniors		Filers with . . .		
						Dependent Minor Children	Medical Debt	Disabilities
New York <sup>41</sup>	yes	\$75,000	\$150,000	n/a		n/a	n/a	n/a
North Carolina	no	\$35,000	\$70,000	≥65	\$60,000 <sup>42</sup>	n/a	n/a	n/a
North Dakota	no	\$100,000	n/a	n/a		n/a	n/a	n/a
Ohio	no	\$132,900	\$265,800	n/a		n/a	May not force the sale of the home for medical debts	n/a
Oklahoma	no	Unlimited						
Oregon	yes	\$40,000	\$50,000	n/a		n/a	n/a	n/a
Pennsylvania	yes	n/a						
Rhode Island	yes	\$500,000	n/a	n/a		n/a	n/a	n/a

<sup>41</sup> For some counties New York has an individual exemption higher than their standard \$75,000—Dutchess, Albany, Columbia, Orange, Saratoga and Ulster have an exemption of \$125,000; Kings, Queens, New York, Bronx, Richmond, Nassau, Suffolk, Rockland, Westchester and Putnam have a \$150,000 exemption.

<sup>42</sup> An unmarried debtor who is 65 years of age or older is entitled to a \$ 60,000 exemption so long as the property was previously owned by the debtor as a tenant by the entirety or as a joint tenant with rights of survivorship and the former co-owner of the property is deceased.

State	Federal Exemptions Allowed?	State Exemptions						
		Individual	Joint	Seniors	Filers with . . .			
					Dependent Minor Children	Medical Debt	Disabilities	
South Carolina	no	\$58,225	\$116,450	n/a	n/a	n/a	n/a	
South Dakota	no	Unlimited						
Tennessee	no	\$5,000	\$7,500	≥62	\$12,500 individuals, \$20,000 joint w/one spouse age qualified, \$25,000 joint w/both spouses age qualified	\$25,000 individual \$50,000 for spouses	n/a	n/a
Texas	yes	Unlimited						
Utah	no	\$30,000	\$60,000	n/a	n/a	n/a	n/a	
Vermont	yes	\$125,000	n/a	n/a	n/a	n/a	n/a	
Virginia	no	\$5,000	\$10,000	≥65	\$10,000	\$5,000 + \$500 per dependent child	n/a	n/a
Washington	yes	\$125,000	n/a	n/a	n/a	n/a	n/a	



State	Federal Exemptions Allowed?	State Exemptions					
		Individual	Joint	Seniors	Filers with . . .		
					Dependent Minor Children	Medical Debt	Disabilities
West Virginia	no	\$25,000 (\$5,000 outside bankruptcy)	\$50,000	n/a	n/a	\$7,500 (\$250,000 for physicians filing because of medical malpractice) <sup>43</sup>	n/a
Wisconsin	yes	\$75,000	\$150,000	n/a	n/a	n/a	n/a
Wyoming	no	\$20,000	\$40,000	n/a	n/a	n/a	n/a

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<sup>43</sup> The physician must carry malpractice insurance of at least \$1 million for the exemption to apply.



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# Appendix A. Public Chapter 326, Acts of 2015



## *State of Tennessee*

### **PUBLIC CHAPTER NO. 326**

**SENATE BILL NO. 1000**

**By Niceley**

Substituted for: House Bill No. 1093

By Armstrong, Timothy Hill

AN ACT to amend Tennessee Code Annotated, Title 26, Chapter 2, relative to homestead exemption.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 26-2-301, is amended by adding the following new subsection:

(g) The Tennessee advisory commission on Intergovernmental relations shall study the current homestead exemption amounts allowed pursuant to this section to determine whether the exemptions should be increased to accurately reflect the cost of living and shall submit a written report to the members of the general assembly no later than January 1, 2016. The report shall detail the various categories of homestead exemptions and compare each category to the exemptions of other states.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.

SENATE BILL NO. 1000

PASSED: April 13, 2015

  
\_\_\_\_\_  
RON RAMSEY  
SPEAKER OF THE SENATE

  
\_\_\_\_\_  
BETH HARWELL, SPEAKER  
HOUSE OF REPRESENTATIVES

APPROVED this 28<sup>th</sup> day of April 2015

  
\_\_\_\_\_  
BILL HASLAM, GOVERNOR

## Appendix B. American Bankruptcy Institute: Bankruptcy Filings 2015

States	2014 Population Estimates	7 and 13 Filings	Per Capita	Chapter 7 Percentage	Total 7s	Per Capita	Chapter 13 Percentage	Total 13s	Per Capita
<b>Total States</b>	<b>318,857,056</b>	<b>686,336</b>	<b>2</b>	<b>63.0%</b>	<b>432,405</b>	<b>1</b>	<b>35.8%</b>	<b>246,030</b>	<b>1</b>
Alabama	4,849,377	23,345	5	36.0%	8,371	2	64.0%	14,885	3
Alaska	736,732	417	1	83.2%	332	0	16.8%	67	0
Arizona	6,731,484	15,239	2	85.6%	12,848	2	14.4%	2,167	0
Arkansas	2,966,369	9,096	3	46.5%	4,214	1	53.5%	4,840	2
California	38,802,500	75,355	2	74.7%	55,781	1	25.3%	18,906	0
Colorado	5,355,866	13,256	2	81.7%	10,770	2	18.3%	2,407	0
Connecticut	3,596,677	5,732	2	81.8%	4,615	1	18.2%	1,029	0
Delaware	935,614	2,401	3	68.8%	1,376	1	31.2%	625	1
Florida	19,893,297	50,918	3	63.7%	32,091	2	36.3%	18,290	1
Georgia	10,097,343	45,991	5	43.4%	19,895	2	56.6%	25,902	3
Hawaii	1,419,561	1,463	1	69.9%	1,013	1	30.1%	436	0
Idaho	1,634,464	3,612	2	90.0%	3,234	2	10.0%	361	0
Illinois	12,880,580	52,261	4	60.0%	31,145	2	40.0%	20,778	2
Indiana	6,596,855	24,085	4	71.0%	17,040	3	29.0%	6,975	1
Iowa	3,107,126	4,148	1	89.7%	3,707	1	10.3%	425	0
Kansas	2,904,021	6,320	2	57.9%	3,641	1	42.1%	2,650	1
Kentucky	4,413,457	13,939	3	68.9%	9,560	2	31.1%	4,310	1
Louisiana	4,649,676	12,506	3	28.5%	3,537	1	71.5%	8,872	2
Maine	1,330,089	1,705	1	84.4%	1,424	1	15.6%	264	0



States	2014 Population Estimates	7 and 13 Filings	Per Capita	Chapter 7 Percentage	Total 7s	Per Capita	Chapter 13 Percentage	Total 13s	Per Capita
Maryland	5,976,407	16,673	3	70.2%	11,590	2	29.8%	4,926	1
Massachusetts	6,745,408	8,155	1	74.3%	5,993	1	25.7%	2,071	0
Michigan	9,909,877	29,646	3	78.6%	23,208	2	21.4%	6,320	1
Minnesota	5,457,173	9,859	2	85.0%	8,341	2	15.0%	1,469	0
Mississippi	2,994,079	9,970	3	48.1%	4,776	2	51.9%	5,152	2
Missouri	6,063,589	17,622	3	68.2%	11,980	2	31.8%	5,589	1
Montana	1,023,579	1,131	1	86.5%	972	1	13.5%	152	0
Nebraska	1,881,503	3,854	2	67.7%	2,604	1	32.3%	1,240	1
Nevada	2,839,099	8,276	3	81.9%	6,667	2	18.1%	1,477	1
New Hampshire	1,326,813	1,846	1	74.1%	1,359	1	25.9%	474	0
New Jersey	8,938,175	22,601	3	70.6%	15,804	2	29.4%	6,592	1
New Mexico	2,085,572	3,155	2	92.1%	2,872	1	7.9%	247	0
New York	19,746,227	27,763	1	78.0%	21,036	1	22.0%	5,927	0
North Carolina	9,943,964	14,282	1	40.6%	5,742	1	59.4%	8,403	1
North Dakota	739,482	520	1	92.5%	480	1	7.5%	39	0
Ohio	11,594,163	34,582	3	76.0%	26,204	2	24.0%	8,288	1
Oklahoma	3,878,051	8,210	2	83.0%	6,795	2	17.0%	1,392	0
Oregon	3,970,239	9,573	2	81.4%	7,772	2	18.6%	1,779	0
Pennsylvania	12,787,209	20,283	2	61.2%	12,290	1	38.8%	7,786	1
Rhode Island	1,055,173	2,331	2	82.2%	1,910	2	17.8%	415	0
South Carolina	4,832,482	6,398	1	40.2%	2,561	1	59.8%	3,808	1

States	2014 Population Estimates	7 and 13 Filings	Per Capita	Chapter 7 Percentage	Total 7s	Per Capita	Chapter 13 Percentage	Total 13s	Per Capita
South Dakota	853,175	1,024	1	90.0%	912	1	10.0%	101	0
Tennessee	6,549,352	33,452	5	40.3%	13,418	2	59.7%	19,916	3
Texas	26,956,958	31,326	1	40.7%	12,525	0	59.3%	18,278	1
Utah	2,942,902	11,203	4	60.7%	6,783	2	39.3%	4,392	1
Vermont	626,562	619	1	78.2%	482	1	21.8%	134	0
Virginia	8,326,289	21,252	3	60.1%	12,563	2	39.9%	8,342	1
Washington	7,061,530	16,619	2	75.1%	12,407	2	24.9%	4,121	1
West Virginia	1,850,326	2,867	2	87.0%	2,476	1	13.0%	369	0
Wisconsin	5,757,564	17,329	3	73.6%	12,715	2	26.4%	4,555	1
Wyoming	584,153	804	1	88.3%	708	1	11.7%	94	0

### Appendix C. Comparison of Federal Bankruptcy Chapter 7 and Chapter 13

	<u>Chapter 7</u>	<u>Chapter 13</u>
<b>Type of Bankruptcy</b>	<b>Liquidation</b>	<b>Reorganization</b>
Who is this for?	Debtors barely able to pay for living expenses. Must pass a means test in order to qualify.	Debtors able to afford living expenses but having difficulty repaying debt.
What happens to debtors unsecured assets?	Sold to repay debt	Remain with the debtor
What happens to creditors owed unsecured debt?	Debtor's non-exempt assets are sold to repay unsecured creditors.	Unsecured creditors receive monthly payments of at least as much as they would have received in a Chapter 7 bankruptcy.
Length of process	3-4 months	3-5 years
What happens to the home of the debtor?	The debtor may only save their home if the homestead exemption is greater their equity. Upon completion of the bankruptcy, the mortgage holder may continue with foreclosure if arrangements have not been made for repayment.	The debtor will save the home by maintaining current mortgage payments and working out an arrearage payment plan over the life of the bankruptcy.
How is bankruptcy reflected on credit report?	Stays on report for 10 years.	Stays on report for 7 years.

## **Appendix D. United States Department of Justice Summary of Bankruptcy Chapters<sup>44</sup>**

The Bankruptcy Code appears in title 11 of the United States Code, beginning at 11 U.S.C. § 101. Its principal chapters (7, 11, 12, 13 and 15) are briefly outlined below:

### **Chapter 7**

Chapter 7 bankruptcy is a liquidation proceeding [sale of nonexempt assets by a trustee] available to consumers and businesses. Those assets of a debtor that are not exempt from creditors are collected and liquidated (reduced to money) [sold], and the proceeds are distributed to creditors. A consumer debtor receives a complete discharge from debt under Chapter 7, except for certain debts that are prohibited from discharge by the Bankruptcy Code.

### **Chapter 11**

Chapter 11 bankruptcy provides a procedure by which an individual or a business can reorganize its debts while continuing to operate. The vast majority of Chapter 11 cases are filed by businesses. The debtor, often with participation from creditors, creates a plan of reorganization under which to repay part or all of its debts.

### **Chapter 12**

Chapter 12 allows a family farmer or a fisherman to file for bankruptcy, reorganize its business affairs, repay all or part of its debts, and continue operating.

### **Chapter 13**

Chapter 13, often called wage-earner bankruptcy, is used primarily by individual consumers to reorganize their financial affairs under a repayment plan that must be completed within three or five years. To be eligible for Chapter 13 relief, a consumer must have regular income and may not have more than a certain amount of debt, as set forth in the Bankruptcy Code.

### **Chapter 15**

Chapter 15 provides debtors, creditors, and other parties in interest involved in insolvency cases in foreign countries a mechanism by which they can assert their rights. Generally, a chapter 15 case is supplementary to a primary case or proceeding commenced in a debtor's home country. One of the primary goals of this chapter is to encourage cooperation and communication between the courts of the United States and parties in interest and foreign courts and parties in interest in cross-border cases.

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<sup>44</sup> <http://www.justice.gov/ust/bankruptcy-fact-sheets/overview-bankruptcy-chapters>.

## Appendix E. Comparison of Federal and Tennessee Bankruptcy Exemptions

Federal Bankruptcy Exemptions		Tennessee Bankruptcy Exemptions	
Homestead	Real property, including mobile homes and co-ops, or burial plots up to \$22,975; Unused portion of homestead, up to \$11,500 may be used for other property	Homestead	\$5,000, \$7,500 for joint owners, 12,500 for an individual 62 or older, 20,000 for married couples with one person age 62 or older, 25,000 for married couples who are both age 62 or older, 25,000 for individuals with a minor child in their custody (may double exemption for married couples with joint custody); Life estates and leaseholds (ranging 2-15 years)
Personal Property	Motor vehicle up to \$3,675; Animals, crops, clothing, appliances and furnishings, books, household goods, and musical instruments up to \$575 per item, and up to \$12,250 total; Jewelry up to \$1,550; Health aids. Wrongful death recovery for person you depended upon; Personal injury recovery up to \$22,975 except for pain and suffering or for pecuniary loss; Lost earnings payments	Personal Property	Bible, schoolbooks, pictures, portraits, clothing and storage containers; burial plot to 1 acre; Health aids; Lost earnings payments; Personal injury recoveries to \$7,500; wrongful death recoveries to \$10,000 (not more than \$15,000 total for personal injury, wrongful death and crime victims' compensation)
Pensions	Tax exempt retirement accounts (including 401(k)s, 403(b)s, profit-sharing and money purchase plans, SEP and SIMPLE IRAs, and defined benefit plans); IRAs and Roth IRAs to \$1,245,475	Pensions	ERISA-qualified benefits; Public employees; State and local government employees; Teachers
Public Benefits	Public assistance, Social Security, Veteran's benefits, Unemployment Compensation; Crime victim's compensation	Public Benefits	Aid to blind and disabled; Crime victims' compensation to \$5,000; Local public assistance; Old-age assistance; Social security; Unemployment; Veterans' benefits; Workers' compensation
Tools of Trade	Implements, books and tools of trade, up to \$2,300	Tools of trade	Implements, books and tools of trade to \$1,900
Alimony and Child Support	Alimony and child support	Wages and other	Minimum 75% of earned but unpaid wages, plus \$2.50/week/child; bankruptcy judge may authorize more for low-income debtors; Alimony owed for 30 days before filing for bankruptcy; Property of business partnership
Insurance	Unmatured life insurance policy except credit insurance; Life insurance policy with loan value up to \$12,250; Disability, unemployment or illness benefits; Life insurance payments for a person you depended on, which you need for support	Insurance	Accident, health or disability benefits; Disability or illness benefits; Fraternal benefit society benefits; Homeowners' insurance proceeds to \$5,000; Life insurance or annuity for spouse/children/dependent relatives exempt from all claims
		Wildcard	\$10,000 on any personal property

## Appendix F. Homestead Exemption as a Percentage of Median Housing Prices in Tennessee and the US, 1975 through 2015

Year	Tennessee Median Housing Price	Tennessee Individual Exemption	Homestead Exemption as a Percentage of TN Median Housing Price	Tennessee Joint Exemption	Homestead Exemption as a Percentage of TN Median Housing Price	US Median Housing Price	US Individual Exemption	Homestead Exemption as a Percentage of US Median Housing Price	US Joint Exemption	Homestead Exemption as a Percentage of Federal Median Housing Price
1975	\$ 32,514	\$ 1,000	3%			\$ 24,398				
1976	\$ 34,807	\$ 1,000	3%			\$ 26,021				
1977	\$ 36,866	\$ 1,000	3%			\$ 28,696				
1978	\$ 40,544	\$ 1,000	2%			\$ 32,692				
1979	\$ 43,414	\$ 5,000	12%			\$ 37,162	\$ 7,500	20%	\$ 15,000	40%
1980	\$ 46,835	\$ 5,000	11%	\$ 7,500	16%	\$ 41,253	\$ 7,500	18%	\$ 15,000	36%
1981	\$ 49,121	\$ 5,000	10%	\$ 7,500	15%	\$ 43,891	\$ 7,500	17%	\$ 15,000	34%
1982	\$ 50,755	\$ 5,000	10%	\$ 7,500	15%	\$ 45,101	\$ 7,500	17%	\$ 15,000	33%
1983	\$ 52,110	\$ 5,000	10%	\$ 7,500	14%	\$ 46,478	\$ 7,500	16%	\$ 15,000	32%
1984	\$ 52,977	\$ 5,000	9%	\$ 7,500	14%	\$ 48,739	\$ 7,500	15%	\$ 15,000	31%
1985	\$ 56,385	\$ 5,000	9%	\$ 7,500	13%	\$ 51,129	\$ 7,500	15%	\$ 15,000	29%
1986	\$ 60,136	\$ 5,000	8%	\$ 7,500	12%	\$ 54,545	\$ 7,500	14%	\$ 15,000	28%
1987	\$ 64,008	\$ 5,000	8%	\$ 7,500	12%	\$ 58,865	\$ 7,500	13%	\$ 15,000	25%
1988	\$ 66,181	\$ 5,000	8%	\$ 7,500	11%	\$ 62,663	\$ 7,500	12%	\$ 15,000	24%
1989	\$ 67,298	\$ 5,000	7%	\$ 7,500	11%	\$ 67,297	\$ 7,500	11%	\$ 15,000	22%
1990	\$ 68,696	\$ 5,000	7%	\$ 7,500	11%	\$ 70,998	\$ 7,500	11%	\$ 15,000	21%

Year	Tennessee Median Housing Price	Tennessee Individual Exemption	Homestead Exemption as a Percentage of TN Median Housing Price	Tennessee Joint Exemption	Homestead Exemption as a Percentage of TN Median Housing Price	US Median Housing Price	US Individual Exemption	Homestead Exemption as a Percentage of US Median Housing Price	US Joint Exemption	Homestead Exemption as a Percentage of Federal Median Housing Price
1991	\$ 68,736	\$ 5,000	7%	\$ 7,500	11%	\$ 71,128	\$ 7,500	11%	\$ 15,000	21%
1992	\$ 69,760	\$ 5,000	7%	\$ 7,500	11%	\$ 72,199	\$ 7,500	10%	\$ 15,000	21%
1993	\$ 72,053	\$ 5,000	7%	\$ 7,500	10%	\$ 72,501	\$ 7,500	10%	\$ 15,000	21%
1994	\$ 76,272	\$ 5,000	7%	\$ 7,500	10%	\$ 73,833	\$ 7,500	10%	\$ 15,000	20%
1995	\$ 80,402	\$ 5,000	6%	\$ 7,500	9%	\$ 75,190	\$ 15,000	20%	\$ 30,000	40%
1996	\$ 84,963	\$ 5,000	6%	\$ 7,500	9%	\$ 76,823	\$ 15,000	20%	\$ 30,000	39%
1997	\$ 88,940	\$ 5,000	6%	\$ 7,500	8%	\$ 79,019	\$ 15,000	19%	\$ 30,000	38%
1998	\$ 91,654	\$ 5,000	5%	\$ 7,500	8%	\$ 82,603	\$ 16,150	20%	\$ 32,300	39%
1999	\$ 95,838	\$ 5,000	5%	\$ 7,500	8%	\$ 87,956	\$ 16,150	18%	\$ 32,300	37%
2000	\$ 99,432	\$ 5,000	5%	\$ 7,500	8%	\$ 95,404	\$ 16,150	17%	\$ 32,300	34%
2001	\$ 101,053	\$ 5,000	5%	\$ 7,500	7%	\$ 103,057	\$ 17,430	17%	\$ 34,860	34%
2002	\$ 104,154	\$ 5,000	5%	\$ 7,500	7%	\$ 111,002	\$ 17,430	16%	\$ 34,860	31%
2003	\$ 107,506	\$ 5,000	5%	\$ 7,500	7%	\$ 121,255	\$ 17,430	14%	\$ 34,860	29%
2004	\$ 112,092	\$ 5,000	4%	\$ 7,500	7%	\$ 134,461	\$ 18,450	14%	\$ 36,900	27%
2005	\$ 119,239	\$ 5,000	4%	\$ 7,500	6%	\$ 151,603	\$ 18,450	12%	\$ 36,900	24%
2006	\$ 128,140	\$ 5,000	4%	\$ 7,500	6%	\$ 164,644	\$ 18,450	11%	\$ 36,900	22%
2007	\$ 134,566	\$ 5,000	4%	\$ 7,500	6%	\$ 164,845	\$ 20,200	12%	\$ 40,400	25%

Year	Tennessee Median Housing Price	Tennessee Individual Exemption	Homestead Exemption as a Percentage of TN Median Housing Price	Tennessee Joint Exemption	Homestead Exemption as a Percentage of TN Median Housing Price	US Median Housing Price	US Individual Exemption	Homestead Exemption as a Percentage of US Median Housing Price	US Joint Exemption	Homestead Exemption as a Percentage of Federal Median Housing Price
2008	\$ 131,256	\$ 5,000	4%	\$ 7,500	6%	\$ 148,612	\$ 20,200	14%	\$ 40,400	27%
2009	\$ 125,048	\$ 5,000	4%	\$ 7,500	6%	\$ 131,895	\$ 20,200	15%	\$ 40,400	31%
2010	\$ 123,406	\$ 5,000	4%	\$ 7,500	6%	\$ 131,788	\$ 21,630	16%	\$ 43,260	33%
2011	\$ 118,991	\$ 5,000	4%	\$ 7,500	6%	\$ 124,084	\$ 21,630	17%	\$ 43,260	35%
2012	\$ 118,545	\$ 5,000	4%	\$ 7,500	6%	\$ 123,496	\$ 21,630	18%	\$ 43,260	35%
2013	\$ 124,499	\$ 5,000	4%	\$ 7,500	6%	\$ 134,639	\$ 22,975	17%	\$ 45,950	34%
2014	\$ 132,053	\$ 5,000	4%	\$ 7,500	6%	\$ 144,876	\$ 22,975	16%	\$ 45,950	32%
2015	\$ 137,580	\$ 5,000	4%	\$ 7,500	5%	\$ 152,213	\$ 22,975	15%	\$ 45,950	30%

Source: Freddie Mac House Price Index, State and National 1975-Current, retrieved on September 4, 2015



## Appendix G. Homestead Exemption in Tennessee Bankruptcy (Public Chapter 326, Acts of 2015)—Panel Discussion

The Commission heard testimony from:

- Henry E. Hildebrand III, Chapter 13 Trustee  
Middle District of Tennessee, United States Bankruptcy Court
- Robert H. Waldschmidt, Chapter 7 Trustee  
Law Office of Robert H. Waldschmidt
- Tom Lawless, Certified Creditor Rights Specialist  
Lawless and Associates, P.C.
- Maria Salas, Certified Consumer Bankruptcy Specialist  
Salas Law Group, PLLC, Tennessee Bar Association
- Tim Amos, Executive Vice President/General Counsel  
Tennessee Bankers Association
- Keith Slocum, Board Certified Bankruptcy Specialist  
Harlan, Slocum, and Quillen
- Steve Hodgkins, President  
Home Builders Association of Tennessee

Mr. HILDEBRAND began by giving a brief overview of the bankruptcy process. He explained that exemptions can be divided into three categories and that they make up only a part of the bankruptcy process: (1) exemptions for entire items, (2) exemptions based on dollar amounts that may be applied to personal property, and (3) exemptions for certain items up to a specific dollar amount, including homestead exemptions.

Mr. WALDSCHMIDT explained his perspective and experience as a trustee in dealing with Chapter 7 debtors. He sells property in only 5% of all cases, the rest being no-asset cases. When a debtor does have equity, the trustee must take into account the administrative costs of selling the home. Equity of \$2,000 would most likely not lead him to sell the home because it would not provide a meaningful return for the creditors. He expressed concern about the complexity of the current homestead exemptions and gave the example of a woman who could see her allowable exemption change at least eight times over her lifetime because of changes in marital status, parental status, and age: from \$5,000 to \$7,500 to \$50,000 to \$25,000 to \$5,000 to \$12,500 to \$20,000 to \$25,000. He said that Tennessee has the most convoluted system of homestead exemptions in the country.

Mr. LAWLESS suggested that all bankruptcy exemptions be reduced to two unified exemptions: a large exemption for Chapter 13 and a much smaller one for Chapter 7. This exemption scheme would encourage debtors to repay their debt in Chapter 13. Mr. LAWLESS and Mr. HILDEBRAND both said that some debtors abuse the system by converting nonexempt assets into exempt assets before filing by, for example, paying down their mortgages. Ms. SALAS said that although the Commission is being directed to study the homestead exemption, the Tennessee Bar Association wants the Commission to consider all exemptions.

Mr. AMOS argued that while the homestead exemption amounts of \$5,000 and \$7,500 are low, debtors have access to several large exemptions, specifically the personal property exemption of \$10,000 and the exemptions for the family Bible, pensions, etc.

Mr. SLOCUM said he rarely sees people try to game the system. He explained that many people want to pay back their debt but are unable to withstand aggressive debt collection efforts. These debtors use the system to help repay their debts and end the collection efforts. He agreed that a single number would be better but said that nothing should be taken away from the categories of individuals over 62 or individuals with minor children.

Mr. HODGKINS explained that the low homestead exemption in Tennessee is pushing people, including some of his friends, to move to Florida and Texas, which have unlimited homestead exemptions, to protect their assets. He said that bankers use the system to collect money when they could negotiate with debtors upfront and place a lien on the homes. Further, he argued that the unlimited exemptions in Florida and Texas have not made credit difficult to get or caused interest rates to increase there. He said that the Home Builders Association of Tennessee wants people to invest in Tennessee and feel safe in their investment.

Chairman NORRIS and Representative CARTER asked how Tennessee's homestead exemption compared to the federal homestead exemption and whether allowing the federal exemption would be an option to consider. The panelists explained that the federal homestead exemption is a single number, but the filer may use up to \$11,500 of an unused portion of the exemption on other property. Mr. WALDSCHMIDT said the federal set of exemptions is extremely high. Senator YARBRO asked whether members of the panel think Tennessee's homestead exemption should be lower than the federal. Mr. WALDSCHMIDT explained that setting an exemption amount is a balancing act between fairness to debtors and creditors; Ms. SALAS said that the exemptions that need to be considered for increases are those for those under the age of 62 without minor children.

Mayor WATERS asked why Tennessee has the highest bankruptcy filings in the country. Mr. HILDEBRAND explained that people use the system to help them repay their debt, which explains why Chapter 13s are so high. Mr. AMOS agreed and added that because of the efficiency of the system, creditors are more willing to go along with repayment plans. Ms. SALAS added that Tennessee has the highest divorce rate in the country and that this is a leading factor. Mayor HUFFMAN asked what effect medical bills have on the filing rate in Tennessee. The panelists responded that this is a major factor. Mr. WALDSCHMIDT said that

medical bills often do not show up on the filing forms because people use credit cards to pay for nearly everything but explained that he did his own study of the cases that he worked, and medical bills ranked at the top of reasons people file. Mr. HILDEBRAND said that a Harvard study had found medical bills to be the number one reason for filing. He added that while medical bills may push someone into filing, that could be the result of a lack of coverage or a loss of a job. Mr. HUFFMAN followed up by asking how Tennessee ranks when looking at just Chapter 7 filings. Mr. WALDSCHMIDT said that Tennessee is somewhere in the middle.

Representative PARKINSON asked how people determine which chapter to file. Mr. HILDEBRAND explained that it is up to the debtor but that judges in Tennessee are very willing to accept Chapter 13 repayment plans and that bankruptcy lawyers often encourage people to repay their debt in a Chapter 13. Ms. SALAS explained that people often use the system to help them repay their debt, which greatly influences their filing decision. Other factors include the age of the debtor, job, eligibility, and last time filing bankruptcy. Ms. ROEHRICH-PATRICK asked how eligibility for filing Chapter 7 is determined. Ms. SALAS explained that a filer would have to pass a means test and that generally the filer must fall below the median household income for their family size.

Several alternatives were proposed by the panelists including creating a uniform exemption and creating different exemptions for Chapter 7 and Chapter 13. Chairman NORRIS asked whether any other states currently operate under a uniform exemption. Mr. LAWLESS responded that other states have gone to a more level, transparent, and fair system and have a single homestead exemption but there are no states that have one exemption that covers anything up to a set dollar amount. Creating separate exemptions for Chapter 7 and Chapter 13 would also be a new concept not used by any other state.

When asked by Senator MCNALLY what a good number would be for a uniform exemption, the panelists all said they would not be able to agree on a number. Senator MCNALLY asked what would happen if we had no exemptions. Ms. SALAS responded that individuals with disabilities or people out of work would be forced to give up their furniture, Bibles, clothes, houses, etc. She said it would not be good to get rid of exemptions. The number of Chapter 7 filings would also drop to nearly zero.

Mr. AMOS said the Commission should not recommend allowing the federal exemptions or indexing for inflation because of states' rights issues and periodic changes leading to further uncertainty for lenders. Mr. LAWLESS agreed. Senator YARBRO said the current system already sounds convoluted and that there must be a way to index for increases in inflation without causing too much instability.

Senator MCNALLY and Mayor BICKERS both asked what effect increasing exemptions would have on businesses and consumers. Mr. WALDSCHMIDT said that unsecured creditors must absorb any debt not repaid when exempt property is not sold. Mr. LAWLESS added that businesses build this into their cost of doing business, and as such, we all end up paying for it. Mr. AMOS said that any significant change in the homestead exemption would cause banks to change their lending practices, though a small or moderate increase would likely not have an

effect. Mr. HILDEBRAND warned the Commission against believing that any reform of bankruptcy exemptions would have any significant effect on the filing rate. Many believed the 2005 reform would lower the rate, but several studies have shown it had no major effect on the filing rate.

**Appendix H-1. Comparison of States' Sets of Exemptions (Alphabetical Order)**

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Federal	n/a	\$66,950	\$22,975	\$43,975	Health aids; wrongful death recoveries
Alabama	No	\$22,500	\$15,000	\$7,500	Burial plot; clothing, family portraits, pictures, and books for use by you or your family; spendthrift trust; uniform, arms and equipment of military personnel
Alaska	Yes	\$87,480	\$72,900	\$14,580	Apartment or condo owners' association deposits; burial plot; health aids; liquor licenses; tuition credit or savings accounts; money held in an escrow; alimony and child support; permanent fund dividend; longevity bonus
Arizona	No	\$172,100	\$150,000	\$22,100	Food, fuel, provisions, fire-fighting equipment, teaching materials for youth, certain professionally prescribed health aids; alimony and child support, wrongful death recoveries
Arkansas	Yes	\$1,000	\$800	\$200	Clothing

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
California Option 1 (in or outside bankruptcy)	No	\$101,050	\$75,000	\$26,050	Household items and personal effects; health aids; cemetery and burial plot; personal injury and wrongful death recoveries; relocation assistance
California Option 2 (in bankruptcy only)	No	\$66,750	\$25,575	\$41,175	Health aids; alimony and child support, wrongful death recoveries
Colorado	No	\$134,100	\$75,000	\$59,100	Health aids; burial sites, including spaces in mausoleums; cemetery property that is used or owned by a corporation is exempt; personal injury recoveries; alimony and child support; military equipment

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Connecticut	Yes	\$79,500	\$75,000	\$4,500	Appliances, clothing, food, furniture, and bedding; necessary health aids; Insurance proceeds for damaged exempt property; residential and utility security deposits for one residence; spendthrift trust funds necessary for you and your family's support; transfers to a licensed debt adjuster; burial plot; wedding and engagement rings; necessary tools, books, and farm animals; farm partnership animals and livestock reasonably required to operate farm at which 50% or more of the partners are members of the same family, alimony and child support; spendthrift trust funds
Delaware	No	\$165,075	\$125,000	\$40,075	Family Bible and books, family pictures, pew or seat in a place of public worship, burial plot, and you and your family's clothing (includes jewelry); Sewing machines and pianos for personal use; Principal and income from spendthrift trusts

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Florida	No	\$2,000	Unlimited	\$2,000	Federal income tax refund or credit; preneed funeral contract deposits; prepaid college education trust deposits; prepaid hurricane savings accounts; education savings, health savings, and hurricane savings; health aids; damages to employees for injuries or death incurred in hazardous occupations are exempt; alimony and child support
Georgia (homestead exemption in bankruptcy only)	No	\$52,200	\$21,500	\$30,700	Health aids; wrongful death recoveries; alimony and child support
Hawaii	Yes	\$23,575	\$20,000	\$3,575	Tools of the trade; household furnishings, appliances, books, and clothing used by you and your family; a burial plot, up to 250 square feet, and all improvements and gravestones upon it; insurance proceeds or proceeds from the sale of personal property (up to six months after sale) protected under; income earned during the 31 days before filing bankruptcy,



	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Idaho	No	\$120,550	\$100,000	\$20,550	Water rights for 160 inches of water; building materials; college savings program account; health aids; proceeds for damaged exempt property for 3 months after proceeds received; provisions (food, water, and storage equipment) sufficient for up to 12 months; burial plot; personal injury recoveries; wrongful death recoveries; alimony and child support; medical savings account
Illinois	No	\$37,900	\$15,000	\$22,900	Necessary wearing apparel, Bible and school books, and family pictures; Health aids; A certificate of title to any a watercraft over 12 feet in length; prepaid tuition trust fund; proceeds of sold exempt property; Illinois College Savings Pool accounts invested more than 1 year before filing if below federal gift tax limit, or 2 years before filing if above; wrongful death recoveries; alimony and child support; preneed cemetery sales and future care funds; liquor license

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Indiana	No	\$32,300	\$17,600	\$14,700	Earned income tax credit; education savings account (529 and Coverdell) contributions made more than 2 years prior to filing; health aids; spendthrift trusts; health savings account
Iowa	No	\$36,000	Unlimited	\$36,000	One shotgun and either a musket or rifle; health aids; burial lots and cemeteries are exempt up to one acre; wrongful death recoveries; alimony and child support; liquor license; adopted child assistance; aid to dependent child
Kansas	No	\$28,500	Unlimited	\$28,500	Clothing to last 1 year; earned income tax credit; Food and fuel to last 1 year; funeral plan prepayments; liquor license; alimony and child support; burial plot or crypt, uniform and equipment of national guard
Kentucky	Yes	\$24,800	\$5,000	\$19,800	Health aids for you or your dependent; lost earnings payments; wrongful death recoveries; alimony and child support

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Louisiana	No	\$52,000	\$35,000	\$17,000	Arms, military accoutrements; bedding; dishes, glassware, utensils, non-sterling silverware; clothing, family portraits, musical instruments; bedroom, living room and dining room furniture; poultry, one cow; heating and cooling equipment, refrigerator, freezer, stove, washer and dryer, iron, sewing machine; disaster relief insurance proceeds; spendthrift trusts; burial plot; household pets; tools of the trade

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Maine	No	\$71,150	\$47,500	\$23,650*	One cooking stove, furnaces and stoves used for heating, and cooking and heating fuel up to ten cords of wood, five tons of coal, and 1,000 gallons of petroleum, per item, for personal or family use; up to 6 months' worth of food, seed, feed, and materials for raising food; one of each type of farm equipment reasonably necessary to raise and harvest commercial agricultural products; one boat, up to five tons burden, used primarily for commercial fishing, and one of each type of professional logging equipment necessary to harvest and haul wood commercially; professionally prescribed health aids for you or your dependent; wrongful death recoveries; alimony and child support
Maryland (homestead exemption in bankruptcy only)	No	\$39,975 (in bankruptcy)	\$22,975	\$17,000 (\$11,000 outside bankruptcy)	Health aids; perpetual care trust funds; prepaid college trust funds; lost future earnings recoveries; personal injury recoveries; wrongful death recoveries; alimony and child support; burial plot

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Massachusetts	Yes	\$540,225	\$500,000	\$40,225	Necessary clothing and beds for a debtor and his or her family; one heating unit; 2 cows, 12 sheep, 2 swine, and 4 tons of hay; military uniforms; one pew occupied by the debtor or the debtor's family in a house of public worship; all rights of burial and tombs are exempt; one television; one computer
Michigan (homestead exemption in bankruptcy only)	Yes	\$51,200	\$37,775	\$13,425	Clothing; family pictures; cemeteries, tombs, and rights of burial; health aids; arms, provisions, and fuel for comfortable subsistence for 6 months
Minnesota	Yes	\$419,268	\$390,000	\$29,268	Bible and books; burial plot; personal death recoveries; wrongful death recoveries; musical instruments; church pew; clothes; one watch; utensils and food
Mississippi	No	\$110,000	\$75,000	\$35,000	Health savings account
Missouri	No	\$28,700	\$15,000	\$13,700	Health aids; wrongful death recoveries

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Montana	No	\$260,000	\$250,000	\$10,000	Health aids; cooperative association shares; proceeds from insurance or the sale of exempt property for six months after receipt, if traceable to the exempt property; burial plot; alimony and child support; military equipment
Nebraska	No	\$91,400	\$60,000	\$31,400	Immediate personal possessions, clothing, professionally prescribed health aids; burial plot; personal injury recoveries
Nevada	No	\$609,150	\$550,000	\$59,150	Health aids; keepsakes and pictures; arranged and catalogued ores, geological specimens, paleontological remains, which are numbered in reference books; mortgage impound accounts; one gun; stock in certain closely held corporations; criminal restitution; income tax refunds attributable to the state or federal earned income credit; burial plot or funeral service money held in trust; wrongful death recoveries; alimony and child support; firefighter equipment; arms, uniforms, and equipment required to keep

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
New Hampshire	Yes	\$135,500	\$120,000	\$15,500	Clothing and beds and bedding for your family's use; burial plot; one computer; one cook stove; one heating stone; one refrigerator; necessary utensils; one sewing machine; one hog, one pig (and pork), six sheep and the fleece, one cow, a yoke of oxen or a horse 4 tons of hay, The Bible, school books and library uniform and arms of militia
New Jersey	Yes	\$2,000	n/a	\$2,000	Burial plot; clothing
New Mexico	Yes	\$68,500	\$60,000	\$8,500	Books and furniture; building materials; clothing; cooperative association shares, although only the minimum amount required to be a member of the cooperative; health aids; materials, tools, and machinery for digging, drilling, completing, operating or repairing an oil line, gas well, or pipeline

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
New York (the majority of counties)	Yes	\$85,100	\$75,000	\$10,100	Stoves and heating equipment for use in your home and fuel for 120 days, sewing machine, religious texts, family photos and portraits, school books, seat or pew used for religious worship, food for you and your family for 120 days, clothing, furniture, refrigerator, radio, tv, computer, cell phone, kitchenwares, prescribed health aids, wedding ring; property or damages arising from the damage of exempt personal property, for up to one year after collection of proceeds; spendthrift trust; uniforms, arms, and equipment used in military service and pensions and awards awarded for military service; personal injury recoveries up to one year; wrongful death recoveries; damages for exempt property; alimony and child support



	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
New York: Dutchess, Albany, Columbia, Orange, Saratoga, and Ulster counties	Yes	\$135,100	\$125,000	\$10,100	Stoves and heating equipment for use in your home and fuel for 120 days, sewing machine, religious texts, family photos and portraits, school books, seat or pew used for religious worship, food for you and your family for 120 days, clothing, furniture, refrigerator, radio, tv, computer, cell phone, kitchenwares, prescribed health aids, wedding ring; Property or damages arising from the damage of exempt personal property, for up to one year after collection of proceeds; spendthrift trust; uniforms, arms, and equipment used in military service and pensions and awards awarded for military service; personal injury recoveries up to one year; wrongful death recoveries

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
New York: Kings, Queens, New York, Bronx, Richmond, Nassau, Suffolk, Rockland, Westchester and, Putnam counties	Yes	\$160,100	\$150,000	\$10,100	Stoves and heating equipment for use in your home and fuel for 120 days, sewing machine, religious texts, family photos and portraits, school books, seat or pew used for religious worship, food for you and your family for 120 days, clothing, furniture, refrigerator, radio, tv, computer, cell phone, kitchenwares, prescribed health aids, wedding ring; Property or damages arising from the damage of exempt personal property, for up to one year after collection of proceeds; spendthrift trust; uniforms, arms, and equipment used in military service and pensions and awards awarded for military service; personal injury recoveries up to one year and wrongful death recoveries
North Carolina	No	\$71,000	\$35,000	\$36,000	Some accounts contributed within the last 12 months; prescribed health aids; personal injury recoveries; wrongful death recoveries; alimony and child support

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
North Dakota	No	\$131,600	\$100,000	\$31,600 individual	Bible or other religious book, schoolbooks, other books; and all clothing of the debtor and his or her family; crops or grain where the debtor lives, up to 160 acres; food and fuel to last one year; health aids; insurance proceeds for exempt property; burial plot; child support payments; family pictures
Ohio	No	\$177,375	\$132,900	\$44,475	Compensation for lost future earnings needed for support, received during 12 months before filing; health aids; tuition credit or payment; burial lot; wrongful death recoveries; alimony and child support; seal and official register of notary public

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Oklahoma	No	\$76,500	Unlimited	\$76,500	Books, portraits, and pictures; interest on college savings plans; deposits in an individual development account; food and seed for growing crops to last one year; health aids; household items, furniture, personal computer and related equipment; prepaid funeral benefits; war bond payroll savings account; burial plot; livestock for family use; alimony and child support; 2 bridles, 2 saddles; prepaid funeral benefits, trusts
Oregon	Yes	\$73,300	\$40,000	\$33,300	A 60-day supply of fuel and provisions for debtor's family; all health aids; burial plot; alimony and child support; health savings account; food for livestock
Pennsylvania	Yes	\$300	n/a	\$300	Clothing, Bibles, school books, sewing machines, and uniforms
Rhode Island	Yes	\$532,400	\$500,000	\$32,400	Burial plot; clothing; prepaid tuition program or tuition savings account; real property of any person having debts secured by casino-issued lines of credit professional library of professional

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
South Carolina	No	\$71,655	\$58,255	\$13,400	College investment program trust fund; health aids; personal injury and wrongful death recoveries; alimony and child support
South Dakota	No	\$5,200	Unlimited	\$5,200	Burial plot; clothing; cemetery association property; church pew; food and fuel to last one year; health aids; pictures
Tennessee	No	\$31,900	\$5,000	\$26,900	Bible, schoolbooks, pictures, portraits, clothing and storage containers; burial plot (one acre); health aids; lost earnings payments
Texas	Yes	\$50,000	Unlimited	\$50,000	Alimony and child support
Utah	No	\$42,000	\$30,000	\$12,000	Artwork depicting or produced by a family member; bed, bedding, and carpets; burial plot; clothing (but not furs or jewelry); food to last one year; health aids; recoveries for you or someone you depended on; proceeds from sold, lost, or damaged exempt property; refrigerator, freezer, microwave, stove, sewing machine, washer, and dryer; alimony and child support; three guns

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Vermont	Yes	\$141,600	\$125,000	\$16,600	Various livestock; certain amounts of coal, heating oil, and firewood; health aids; wedding ring; lost future earnings for you or someone you depend on; stove, heating unit, refrigerator, freezer, water heater, and sewing machine; Personal injury recoveries; wrongful death recoveries; alimony and child support; two harnesses and halters; one plow and one yoke
Virginia	No	\$44,000	\$5,000	\$39,000	All pets such as cats, dogs, birds, squirrels, rabbits, and other pets not kept or raised for sale or profit; medically prescribed health aids; pets; prepaid tuition contracts; the family Bible; and wedding and engagement rings; burial plot; personal injury recoveries; wrongful death recoveries; alimony and child support; health savings account; military equipment

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Washington	Yes	\$174,850	\$125,000	\$49,850	Athletic and sporting equipment, including bicycles; building materials are exempt except for debts due for the purchase of those materials; burial lots, if used exclusively for burial purposes, are 100% exempt; health aids; keepsakes and family pictures; loss of future earning recoveries; tuition units purchased more than two years before filing; spendthrift trusts and other properties are 100% exempt; child support payments; clothing; health savings account; building material
West Virginia	No	\$53,700	\$25,000 (\$5,000 outside bankruptcy)	\$28,700	Lost earnings payments; health aids. prepaid higher education tuition trust fund and savings plan payments; wrongful death recoveries; alimony and child support
Wisconsin	Yes	\$157,000	\$75,000	\$82,000	Tombstones, coffins, cemetery lots owned by individuals, and other burial articles are exempt; tuition or college savings funds; wrongful death recoveries; alimony and child support

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Wyoming	No	\$35,000	\$20,000	\$15,000	Bible, schoolbooks, and pictures; burial plot; prepaid funeral contracts; health savings account

Sources: Stephen Elians and Kathleen Michon, J.D. 2014. *Chapter 13 Bankruptcy*; and all states' statutes.

Note: Total value does not include pensions, retirement accounts, and public benefits because nearly all states recognize the need to protect these and most set high or no limits on them.

\* Maine allows \$200 per item for household goods and furnishings, clothing, appliances, books, animals, crops, and musical instruments, but does not limit the aggregate value of all items.



**Appendix H-2. Comparison of States' Sets of Exemptions (Ascending Order by Real and Personal Property Individual Exemptions)**

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Federal	n/a	\$66,950	\$22,975	\$43,975	Health aids; wrongful death recoveries
Pennsylvania	Yes	\$300	n/a	\$300	Clothing, Bibles, school books, sewing machines, and uniforms
Arkansas	Yes	\$1,000	\$800	\$200	Clothing
Florida	No	\$2,000	Unlimited	\$2,000	Federal income tax refund or credit; preneed funeral contract deposits; prepaid college education trust deposits; prepaid hurricane savings accounts; education savings, health savings, and hurricane savings; health aids
New Jersey	Yes	\$2,000	n/a	\$2,000	Burial plot; clothing
South Dakota	No	\$5,200	Unlimited	\$5,200	Burial plot; clothing; cemetery association property; church pew; food and fuel to last one year; health aids; pictures
Alabama	No	\$22,500	\$15,000	\$7,500	Burial plot; clothing, family portraits, pictures, and books for use by you or your family; spendthrift trust; uniform, arms and equipment of military personnel

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Hawaii	Yes	\$23,575	\$20,000	\$3,575	Household furnishings, appliances, books, and clothing used by you and your family; a burial plot, up to 250 square feet, and all improvements and gravestones upon it; insurance proceeds or proceeds from the sale of personal property (up to six months after sale) protected under; income earned during the 31 days before filing bankruptcy.
Kentucky	Yes	\$24,800	\$5,000	\$19,800	Health aids for you or your dependent; lost earnings payments; wrongful death recoveries
Kansas	No	\$28,500	Unlimited	\$28,500	Clothing to last 1 year; earned income tax credit; food and fuel to last 1 year; funeral plan prepayments; liquor license; alimony and child support; burial plot or crypt; uniform and equipment of national guard
Missouri	No	\$28,700	\$15,000	\$13,700	Health aids; wrongful death recoveries
Tennessee	No	\$31,900	\$5,000	\$26,900	Bible, schoolbooks, pictures, portraits, clothing and storage containers; burial plot (one acre); Health aids; Lost earnings payments

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Indiana	No	\$32,300	\$17,600	\$14,700	Earned income tax credit; education savings account (529 and Coverdell) contributions made more than 2 years prior to filing; health aids; Spendthrift trusts; health savings account
Wyoming	No	\$35,000	\$20,000	\$15,000	Bible, schoolbooks, and pictures; burial plot; prepaid funeral contracts; health savings account
Iowa	No	\$36,000	Unlimited	\$36,000	One shotgun and either a musket or rifle; health aids; burial lots and cemeteries are exempt up to one acre; wrongful death recoveries; liquor license; adopted child assistance; aid to dependent child
Illinois	No	\$37,900	\$15,000	\$22,900	Necessary wearing apparel, Bible and school books, and family pictures; health aids; a certificate of title to any a watercraft over 12 feet in length; prepaid tuition trust fund; Proceeds of sold exempt property; Illinois College Savings Pool accounts invested more than one year before filing if below federal gift tax limit, or two years before filing if above; wrongful death recoveries; liquor license; preneed cemetery sales and future care funds

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Maryland (homestead exemption in bankruptcy only)	No	\$39,975	\$22,975	\$17,000 (\$11,000 outside bankruptcy)	Health aids; perpetual care trust funds; prepaid college trust funds; lost future earnings recoveries; personal injury recoveries; wrongful death recoveries; burial lot
Utah	No	\$42,000	\$30,000	\$12,000	Artwork depicting or produced by a family member; bed, bedding, and carpets; burial plot; clothing (but not furs or jewelry); food to last one year; health aids; recoveries for you or someone you depended on; proceeds from sold, lost, or damaged exempt property; refrigerator, freezer, microwave, stove, sewing machine, washer, and dryer; three guns
Virginia	No	\$44,000	\$5,000	\$39,000	All pets such as cats, dogs, birds, squirrels, rabbits, and other pets not kept or raised for sale or profit; medically prescribed health aids; pets; prepaid tuition contracts; the family Bible; and wedding and engagement rings; burial plot; personal injury recoveries; wrongful death recoveries; health savings account; military equipment
Texas	Yes	\$50,000	Unlimited	\$50,000	Alimony and child support

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Michigan (homestead exemption in bankruptcy only)	Yes	\$51,200	\$37,775	\$13,425	Clothing; family pictures; arms, provisions, and fuel for comfortable subsistence for 6 months
Louisiana	No	\$52,000	\$35,000	\$17,000	Arms, military accoutrements; bedding; dishes, glassware, utensils, non-sterling silverware; clothing, family portraits, musical instruments; bedroom, living room and dining room furniture; poultry, one cow; heating and cooling equipment, refrigerator, freezer, stove, washer and dryer, iron, sewing machine; disaster relief insurance proceeds; spendthrift trusts; burial plot; household pets; tools of trade
Georgia (homestead exemption in bankruptcy only)	No	\$52,200	\$21,500	\$30,700	Health aids; wrongful death recoveries
West Virginia	No	\$53,700	\$25,000 (\$5,000 outside of bankruptcy)	\$28,700	Lost earnings payments; health aids; prepaid higher education tuition trust fund and savings plan payments; wrongful death recoveries

	<b>Federal Exemptions Available</b>	<b>Individual Homestead Plus Other Exemptions</b>	<b>Individual Homestead Exemption</b>	<b>Other Exemptions With Specified Amounts</b>	<b>Items That Are 100% Exempt</b>
California Option 2 (in bankruptcy only)	No	\$66,750	\$25,575	\$41,175	Health aids; alimony and child support; wrongful death recoveries
New Mexico	Yes	\$68,500	\$60,000	\$8,500	Books and furniture; building materials; clothing; cooperative association shares, although only the minimum amount required to be a member of the cooperative; health aids; materials, tools, and machinery for digging, drilling, completing, operating or repairing an oil line, gas well, or pipeline
North Carolina	No	\$71,000	\$35,000	\$36,000	Some accounts contributed within the last 12 months; prescribed health aids; personal injury and wrongful death recoveries

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Maine	No	\$71,150	\$47,500	\$23,650*	One cooking stove, furnaces and stoves used for heating, and cooking and heating fuel up to ten cords of wood, five tons of coal, and 1,000 gallons of petroleum, per item, for personal or family use; up to six months' worth of food, seed, feed, and materials for raising food; one of each type of farm equipment reasonably necessary to raise and harvest commercial agricultural products; one boat, up to five tons burden, used primarily for commercial fishing, and one of each type of professional logging equipment necessary to harvest and haul wood commercially; professionally prescribed health aids for you or your dependent; household goods and furnishing, clothing, appliances, books, animals, crops, and musical instruments, valued at up to \$200 per item; wrongful death recoveries
South Carolina	No	\$71,655	\$58,255	\$13,400	College investment program trust fund; health aids; personal injury and wrongful death recoveries
Oregon	Yes	\$73,300	\$40,000	\$33,300	A 60-day supply of fuel and provisions for debtor's family; all health aids; burial plot; health savings account; food for livestock

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Oklahoma	No	\$76,500	Unlimited	\$76,500	Books, portraits, and pictures; interest on college savings plans; deposits in an individual development account; food and seed for growing crops to last one year; health aids; household items, furniture, personal computer and related equipment; prepaid funeral benefits; war bond payroll savings account; burial plot; livestock for family use; alimony and child support; 2 bridles, 2 saddles; prepaid funeral benefits; trusts
Connecticut	Yes	\$79,500	\$75,000	\$4,500	Appliances, clothing, food, furniture, and bedding; necessary health aids; insurance proceeds for damaged exempt property; residential and utility security deposits for one residence; spendthrift trust funds necessary for you and your family's support; transfers to a licensed debt adjuster; burial plot; wedding and engagement rings; necessary tools, books, and farm animals; farm partnership animals and livestock reasonably required to operate farm at which 50% or more of the partners are members of the same family; alimony and child support; spendthrift trust funds



	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
New York (the majority of counties)	Yes	\$85,100	\$75,000	\$10,100	Stoves and heating equipment for use in your home and fuel for 120 days, sewing machine, religious texts, family photos and portraits, school books, seat or pew used for religious worship, food for you and your family for 120 days, clothing, furniture, refrigerator, radio, tv, computer, cell phone, kitchenwares, prescribed health aids, wedding ring; property or damages arising from the damage of exempt personal property, for up to one year after collection of proceeds; spendthrift trust; uniforms, arms, and equipment used in military service and pensions and awards awarded for military service; personal injury recoveries up to one year; wrongful death recoveries; damages for exempt property; alimony and child support
Alaska	Yes	\$87,480	\$72,900	\$14,580	Apartment or condo owners' association deposits; permanent fund dividend; longevity bonus
Nebraska	No	\$91,400	\$60,000	\$31,400	Immediate personal possessions, clothing, professionally prescribed health aids; burial plot; personal injury recoveries

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
California Option 1 (in or outside bankruptcy)	No	\$101,050	\$75,000	\$26,050	Household items and personal effects; health aids; cemetery and burial plot; personal injury and wrongful death recoveries; relocation assistance
Mississippi	No	\$110,000	\$75,000	\$35,000	Health savings account
Idaho	No	\$120,550	\$100,000	\$20,550	Water rights for 160 inches of water; building materials; college savings program account; crops cultivated on maximum of 50 acres, to \$1,000; health aids; proceeds for damaged exempt property for three months after proceeds received; provisions (food, water, and storage equipment) sufficient for up to 12 months; burial plot; personal injury and wrongful death recoveries; alimony and child support; medical savings account
North Dakota	No	\$131,600	\$100,000	\$31,600	Bible or other religious book, schoolbooks, other books; and all clothing of the debtor and his or her family; crops or grain where the debtor lives, up to 160 acres; food and fuel to last one year; health aids; insurance proceeds for exempt property; burial plot; family pictures

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
New York: Dutchess, Albany, Columbia, Orange, Saratoga, and Ulster counties	Yes	\$135,100	\$125,000	\$10,100	Stoves and heating equipment for use in your home and fuel for 120 days, sewing machine, religious texts, family photos and portraits, school books, seat or pew used for religious worship, food for you and your family for 120 days, clothing, furniture, refrigerator, radio, tv, computer, cell phone, kitchenwares, prescribed health aids, wedding ring; property or damages arising from the damage of exempt personal property, for up to one year after collection of proceeds; spendthrift trust; uniforms, arms, and equipment used in military service and pensions and awards awarded for military service; personal injury recoveries up to one year; wrongful death recoveries; damages for exempt property; alimony and child support
Colorado	No	\$134,100	\$75,000	\$59,100	Health aids; burial sites, including spaces in mausoleums; cemetery property that is used or owned by a corporation is exempt; personal injury recoveries; alimony and child support; military equipment

	<b>Federal Exemptions Available</b>	<b>Individual Homestead Plus Other Exemptions</b>	<b>Individual Homestead Exemption</b>	<b>Other Exemptions With Specified Amounts</b>	<b>Items That Are 100% Exempt</b>
New Hampshire	Yes	\$135,500	\$120,000	\$15,500	Clothing and beds and bedding for your family's use; burial plot; one computer; one cook stove; one heating stone; one refrigerator; necessary utensils; one sewing machine; one hog, one pig (and pork), six sheep and the fleece, one cow, a yoke of oxen or a horse 4 tons of hay, The Bible, school books and library uniform and arms of militia
Vermont	Yes	\$141,600	\$125,000	\$16,600	Various livestock; certain amounts of coal, heating oil, and firewood; health aids; wedding ring; lost future earnings for you or someone you depend on; stove, heating unit, refrigerator, freezer, water heater, and sewing machine; personal injury recoveries; wrongful death recoveries; 2 harnesses and halters, one plow and one yoke
Wisconsin	Yes	\$157,000	\$75,000	\$82,000	Tombstones, coffins, cemetery lots owned by individuals, and other burial articles are exempt; tuition or college savings funds; wrongful death recoveries

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
New York: Kings, Queens, New York, Bronx, Richmond, Nassau, Suffolk, Rockland, Westchester and, Putnam counties	Yes	\$160,000	\$150,000	\$10,100	Stoves and heating equipment for use in your home and fuel for 120 days, sewing machine, religious texts, family photos and portraits, school books, seat or pew used for religious worship, food for you and your family for 120 days, clothing, furniture, refrigerator, radio, tv, computer, cell phone, kitchenwares, prescribed health aids, wedding ring; property or damages arising from the damage of exempt personal property, for up to one year after collection of proceeds; spendthrift trust; uniforms, arms, and equipment used in military service and pensions and awards awarded for military service; personal injury recoveries up to one year; wrongful death recoveries; damages for exempt property; alimony and child support
Delaware	No	\$165,075	\$125,000	\$40,075	Family Bible and books, family pictures, pew or seat in a place of public worship, burial plot, and you and your family's clothing (includes jewelry); sewing machines and pianos for personal use; principal and income from spendthrift trusts

	<b>Federal Exemptions Available</b>	<b>Individual Homestead Plus Other Exemptions</b>	<b>Individual Homestead Exemption</b>	<b>Other Exemptions With Specified Amounts</b>	<b>Items That Are 100% Exempt</b>
Arizona	No	\$172,100	\$150,000	\$22,100	All teaching materials for youth, and certain professionally prescribed health aids; wrongful death recoveries
Washington	Yes	\$174,850	\$125,000	\$49,850	Athletic and sporting equipment, including bicycles; building materials are exempt except for debts due for the purchase of those materials; burial lots, if used exclusively for burial purposes, are 100% exempt; health aids; keepsakes and family pictures; loss of future earning recoveries; tuition units purchased more than two years before filing; spendthrift trusts and other properties are 100% exempt; child support payments; clothing; health savings account; building materials
Ohio	No	\$177,375	\$132,900	\$44,475	Compensation for lost future earnings needed for support, received during 12 months before filing; health aids; tuition credit or payment; burial lot; wrongful death recoveries; alimony and child support; seal and official register of notary public

	<b>Federal Exemptions Available</b>	<b>Individual Homestead Plus Other Exemptions</b>	<b>Individual Homestead Exemption</b>	<b>Other Exemptions With Specified Amounts</b>	<b>Items That Are 100% Exempt</b>
Montana	No	\$260,000	\$250,000	\$10,000	Health aids; cooperative association shares; proceeds from insurance or the sale of exempt property for six months after receipt, if traceable to the exempt property; burial plot; alimony and child support; military equipment
Minnesota	Yes	\$419,268	\$390,000	\$29,268	Bible and books; burial plot; wrongful death recoveries; musical instruments; pew, clothes; one watch; utensils and food
Rhode Island	Yes	\$532,400	\$500,000	\$32,400	Burial plot; clothing; prepaid tuition program or tuition savings account; real property of any person having debts secured by casino-issued lines of credit professional library of professional
Massachusetts	Yes	\$540,225	\$500,000	\$40,225	Necessary clothing and beds for a debtor and his or her family; one heating unit; 2 cows, 12 sheep, 2 swine, and 4 tons of hay; military uniforms; one pew occupied by the debtor or the debtor's family in a house of public worship; all rights of burial and tombs are exempt; one television; one computer

	Federal Exemptions Available	Individual Homestead Plus Other Exemptions	Individual Homestead Exemption	Other Exemptions With Specified Amounts	Items That Are 100% Exempt
Nevada	No	\$609,150	\$550,000	\$59,150	Health aids; keepsakes and pictures; arranged and catalogued ores, geological specimens, paleontological remains, which are numbered in reference books; mortgage impound accounts; one gun; stock in certain closely held corporations; criminal restitution; income tax refunds attributable to the state or federal earned income credit; burial plot or funeral service money held in trust; wrongful death recoveries; alimony and child support; firefighter equipment; arms, uniforms, and equipment required to keep

Sources: Stephen Elians and Kathleen Michon, J.D. 2014. *Chapter 13 Bankruptcy*; and all states' statutes.

Note: Total value does not include pensions, retirement accounts, and public benefits because nearly all states recognize the need to protect these and most set high or no limits on them.

\* Maine allows \$200 per item for household goods and furnishings, clothing, appliances, books, animals, crops, and musical instruments, but does not limit the aggregate value of all items.