

1 **AMENDMENTS TO UTAH EXEMPTIONS ACT**

2 2013 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Earl D. Tanner**

5 Senate Sponsor: Todd Weiler

7 **LONG TITLE**

8 **General Description:**

9 This bill makes changes and additions to the Utah Exemptions Act for bankruptcy.

10 **Highlighted Provisions:**

11 This bill:

- 12 ▶ updates dollar amounts for a debtor's primary personal residence and certain
- 13 personal property;
- 14 ▶ adds an exemption for firearms and ammunition;
- 15 ▶ provides an exemption for unpaid earnings;
- 16 ▶ exempts a motor vehicle used by an individual in the individual's business, trade, or
- 17 profession; and
- 18 ▶ permits certain nonresidents to use the federal exemptions.

19 **Money Appropriated in this Bill:**

20 None

21 **Other Special Clauses:**

22 None

23 **Utah Code Sections Affected:**

24 AMENDS:

25 **78B-5-503**, as last amended by Laws of Utah 2010, Chapter 131

26 **78B-5-505**, as renumbered and amended by Laws of Utah 2008, Chapter 3

27 **78B-5-506**, as renumbered and amended by Laws of Utah 2008, Chapter 3

28 **78B-5-513**, as renumbered and amended by Laws of Utah 2008, Chapter 3

30 *Be it enacted by the Legislature of the state of Utah:*

31 Section 1. Section **78B-5-503** is amended to read:

32 **78B-5-503. Homestead exemption -- Definitions -- Excepted obligations -- Water**
33 **rights and interests -- Conveyance -- Sale and disposition -- Property right for federal tax**
34 **purposes.**

35 (1) For purposes of this section:

36 (a) "Household" means a group of persons related by blood or marriage living together
37 in the same dwelling as an economic unit, sharing furnishings, facilities, accommodations, and
38 expenses.

39 (b) "Mobile home" is as defined in Section 57-16-3.

40 (c) "Primary personal residence" means a dwelling or mobile home, and the land
41 surrounding it, not exceeding one acre, as is reasonably necessary for the use of the dwelling or
42 mobile home, in which the individual and the individual's household reside.

43 (d) "Property" means:

44 (i) a primary personal residence;

45 (ii) real property; or

46 (iii) an equitable interest in real property awarded to a person in a divorce decree by a
47 court.

48 (2) (a) An individual is entitled to a homestead exemption consisting of property in this
49 state in an amount not exceeding:

50 (i) \$5,000 in value if the property consists in whole or in part of property which is not
51 the primary personal residence of the individual; or

52 (ii) [~~\$20,000~~] \$30,000 in value if the property claimed is the primary personal
53 residence of the individual.

54 (b) If the property claimed as exempt is jointly owned, each joint owner is entitled to a
55 homestead exemption; however

56 (i) for property exempt under Subsection (2)(a)(i), the maximum exemption may not
57 exceed \$10,000 per household; or

58 (ii) for property exempt under Subsection (2)(a)(ii), the maximum exemption may not
59 exceed [~~\$40,000~~] \$60,000 per household.

60 (c) A person may claim a homestead exemption in either or both of the following:

61 (i) one or more parcels of real property together with appurtenances and improvements;

62 or

63 (ii) a mobile home in which the claimant resides.

64 (d) A person may not claim a homestead exemption for property that the person
65 acquired as a result of criminal activity.

66 (3) A homestead is exempt from judicial lien and from levy, execution, or forced sale
67 except for:

68 (a) statutory liens for property taxes and assessments on the property;

69 (b) security interests in the property and judicial liens for debts created for the purchase
70 price of the property;

71 (c) judicial liens obtained on debts created by failure to provide support or maintenance
72 for dependent children; and

73 (d) consensual liens obtained on debts created by mutual contract.

74 (4) (a) Except as provided in Subsection (4)(b), water rights and interests, either in the
75 form of corporate stock or otherwise, owned by the homestead claimant are exempt from
76 execution to the extent that those rights and interests are necessarily employed in supplying
77 water to the homestead for domestic and irrigating purposes.

78 (b) Those water rights and interests are not exempt from calls or assessments and sale
79 by the corporations issuing the stock.

80 (5) (a) When a homestead is conveyed by the owner of the property, the conveyance
81 may not subject the property to any lien to which it would not be subject in the hands of the
82 owner.

83 (b) The proceeds of any sale, to the amount of the exemption existing at the time of
84 sale, is exempt from levy, execution, or other process for one year after the receipt of the
85 proceeds by the person entitled to the exemption.

86 (6) The sale and disposition of one homestead does not prevent the selection or
87 purchase of another.

88 (7) For purposes of any claim or action for taxes brought by the United States Internal
89 Revenue Service, a homestead exemption claimed on real property in this state is considered to
90 be a property right.

91 Section 2. Section **78B-5-505** is amended to read:

92 **78B-5-505. Property exempt from execution.**

93 (1) (a) An individual is entitled to exemption of the following property:

94 (i) a burial plot for the individual and the individual's family;

95 (ii) health aids reasonably necessary to enable the individual or a dependent to work or
96 sustain health;

97 (iii) benefits the individual or the individual's dependent have received or are entitled
98 to receive from any source because of:

99 (A) disability;

100 (B) illness; or

101 (C) unemployment;

102 (iv) benefits paid or payable for medical, surgical, or hospital care to the extent they are
103 used by an individual or the individual's dependent to pay for that care;

104 (v) veterans benefits;

105 (vi) money or property received, and rights to receive money or property for child
106 support;

107 (vii) money or property received, and rights to receive money or property for alimony
108 or separate maintenance, to the extent reasonably necessary for the support of the individual
109 and the individual's dependents;

110 (viii) (A) one:

111 (I) clothes washer and dryer;

112 (II) refrigerator;

113 (III) freezer;

- 114 (IV) stove;
- 115 (V) microwave oven; and
- 116 (VI) sewing machine;
- 117 (B) all carpets in use;
- 118 (C) provisions sufficient for 12 months actually provided for individual or family use;
- 119 (D) all wearing apparel of every individual and dependent, not including jewelry or
- 120 furs; and
- 121 (E) all beds and bedding for every individual or dependent;
- 122 (ix) except for works of art held by the debtor as part of a trade or business, works of
- 123 art:
- 124 (A) depicting the debtor or the debtor and his resident family; or
- 125 (B) produced by the debtor or the debtor and his resident family;
- 126 (x) proceeds of insurance, a judgment, or a settlement, or other rights accruing as a
- 127 result of bodily injury of the individual or of the wrongful death or bodily injury of another
- 128 individual of whom the individual was or is a dependent to the extent that those proceeds are
- 129 compensatory;
- 130 (xi) the proceeds or benefits of any life insurance contracts or policies paid or payable
- 131 to the debtor or any trust of which the debtor is a beneficiary upon the death of the spouse or
- 132 children of the debtor, provided that the contract or policy has been owned by the debtor for a
- 133 continuous unexpired period of one year;
- 134 (xii) the proceeds or benefits of any life insurance contracts or policies paid or payable
- 135 to the spouse or children of the debtor or any trust of which the spouse or children are
- 136 beneficiaries upon the death of the debtor, provided that the contract or policy has been in
- 137 existence for a continuous unexpired period of one year;
- 138 (xiii) proceeds and avails of any unexpired life insurance contracts owned by the
- 139 debtor or any revocable grantor trust created by the debtor, excluding any payments made on
- 140 the contract during the one year immediately preceding a creditor's levy or execution;
- 141 (xiv) except as provided in Subsection (1)(b), any money or other assets held for or

142 payable to the individual as a participant or beneficiary from or an interest of the individual as
143 a participant or beneficiary in a retirement plan or arrangement that is described in Section
144 401(a), 401(h), 401(k), 403(a), 403(b), 408, 408A, 409, 414(d), [~~or~~] 414(e), or 457, Internal
145 Revenue Code; [~~and~~]

146 (xv) the interest of or any money or other assets payable to an alternate payee under a
147 qualified domestic relations order as those terms are defined in Section 414(p), Internal
148 Revenue Code[-]; and

149 (xvi) unpaid earnings of the household of the filing individual due as of the date of the
150 filing of a bankruptcy petition in the amount of 1/24 of the Utah State annual median family
151 income for the household size of the filing individual as determined by the Utah State annual
152 Median Family Income reported by the United States Census Bureau and as adjusted based
153 upon the Consumer Price Index for All Urban Consumers for an individual whose unpaid
154 earnings are paid more often than once a month or, if unpaid earnings are not paid more often
155 than once a month, then in the amount of 1/12 of the Utah State annual median family income
156 for the household size of the individual as determined by the Utah State Annual Median Family
157 Income reported by the United States Census Bureau and as adjusted based upon the Consumer
158 Price Index for All Urban Consumers.

159 (b) The exemption granted by Subsection (1)(a)(xiv) does not apply to:

160 (i) an alternate payee under a qualified domestic relations order, as those terms are
161 defined in Section 414(p), Internal Revenue Code; or

162 (ii) amounts contributed or benefits accrued by or on behalf of a debtor within one year
163 before the debtor files for bankruptcy. This may not include amounts directly rolled over from
164 other funds which are exempt from attachment under this section.

165 (2) The exemptions in Subsections (1)(a)(xi), (xii), and (xiii) do not apply to proceeds
166 and avails of any matured or unmatured life insurance contract assigned or pledged as collateral
167 for repayment of a loan or other legal obligation.

168 (3) Exemptions under this section do not limit items that may be claimed as exempt
169 under Section 78B-5-506.

170 Section 3. Section **78B-5-506** is amended to read:

171 **78B-5-506. Value of exempt property -- Exemption of implements, professional**
172 **books, tools, and motor vehicles.**

173 (1) An individual is entitled to exemption of the following property up to an aggregate
174 value of items in each subsection of [~~\$500~~] \$1,000:

175 (a) sofas, chairs, and related furnishings reasonably necessary for one household;

176 (b) dining and kitchen tables and chairs reasonably necessary for one household;

177 (c) animals, books, and musical instruments, if reasonably held for the personal use of
178 the individual or [~~his~~] the individual's dependents; [~~and~~]

179 (d) heirlooms or other items of particular sentimental value to the individual[~~;~~]; and

180 (e) firearms and ammunition not included in other exemption categories in the amount
181 of \$250 per individual, and not more than \$500 per household.

182 (2) An individual is entitled to an exemption, not exceeding [~~\$3,500~~] \$5,000 in
183 aggregate value, of implements, professional books, or tools of [~~his~~] the individual's trade,
184 including motor vehicles to which no other exemption has been applied, and that are actually
185 used by the individual in the individual's principal business, trade, or profession.

186 (3) (a) As used in this Subsection (3), "motor vehicle" does not include any motor
187 vehicle designed for or used primarily for recreational purposes, such as:

188 (i) an off-highway vehicle as defined in Section 41-22-2, except a motorcycle the
189 individual regularly uses for daily transportation; or

190 (ii) a recreational vehicle as defined in Section 13-14-102, except a van the individual
191 regularly uses for daily transportation.

192 (b) An individual is entitled to an exemption, not exceeding [~~\$2,500~~] \$3,000 in value,
193 of one motor vehicle.

194 (4) This section does not affect property exempt under Section 78B-5-505.

195 Section 4. Section **78B-5-513** is amended to read:

196 **78B-5-513. Exemption provisions applicable in bankruptcy proceedings.**

197 [~~No~~] An individual may not exempt from the property of the estate in any bankruptcy

198 proceeding the property specified in Subsection (d) of Section 522 of the Bankruptcy Reform
199 Act (Public Law 95-598), [~~except as expressly permitted under this part~~] unless the individual
200 is a nonresident of this state and has been for the 180 days immediately preceding filing for
201 bankruptcy.