

Legislative Analysis



BANKRUPTCY: INCREASE HOMESTEAD EXEMPTION

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House Bill 4166 as introduced
Sponsor: Rep. Ben Frederick
Committee: Judiciary
Complete to 9-26-22

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4166 would amend the Revised Judicature Act to increase the amount of equity in a homestead that may be protected in a bankruptcy proceeding and to establish the exemption for all bankruptcy filers by eliminating the higher exemption currently available only for older or disabled filers.

When a person files a petition for bankruptcy, certain classes of property, and certain amounts of those property types, are protected (or exempted) from the claims of creditors by state or federal bankruptcy laws. Although the bankruptcy process falls under federal law, a debtor in bankruptcy may choose from the list of exemptions provided either under federal law or under state law, but not both.

The list of state exemptions is found in section 5451 of the Revised Judicature Act. Dollar amounts of the interest in a property that can be exempted are adjusted for inflation periodically.

The bill would amend section 5451 to increase the amount of interest (equity) a debtor, codebtor (if any), and the debtor's dependents have in a homestead that may be exempted in a bankruptcy proceeding to no more than \$150,000 in value. (As adjusted for inflation, the current maximum value in equity that may be exempted is \$40,475.)

Section 5451 also allows a higher exemption if a filer or the filer's dependent, at the time of the filing of the bankruptcy petition, is 65 years of age or older or is disabled. (The current maximum exemption, as adjusted for inflation, is \$60,725 in value.)

The bill would eliminate this exemption.

MCL 600.5451

FISCAL IMPACT:

House Bill 4166 would have no fiscal impact on the state or on local units of government.

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