

# SENATE BILL 425

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CF HB 365

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By: **Senators Beidle, Augustine, Benson, Carter, Hayes, Kelley, Smith, and Washington**

Introduced and read first time: January 27, 2020

Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

### 2 **Debt Collection – Exemptions From Attachment and Execution**

3 FOR the purpose of altering the amount of wages of a judgment debtor that are exempt  
4 from attachment; exempting a property insurance payment that an individual  
5 receives for certain purposes from execution on a judgment; making a conforming  
6 change; providing for the application of this Act; defining “property insurance”; and  
7 generally relating to exemptions from debt collection.

8 BY repealing and reenacting, with amendments,  
9 Article – Commercial Law  
10 Section 15–601.1  
11 Annotated Code of Maryland  
12 (2013 Replacement Volume and 2019 Supplement)

13 BY repealing and reenacting, with amendments,  
14 Article – Courts and Judicial Proceedings  
15 Section 11–504  
16 Annotated Code of Maryland  
17 (2013 Replacement Volume and 2019 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
19 That the Laws of Maryland read as follows:

### 20 **Article – Commercial Law**

21 15–601.1.

22 (a) In this section, “disposable wages” means the part of wages that remain after  
23 deduction of any amount required to be withheld by law.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(b) The following are exempt from attachment:

(1) [Except as provided in item (2) of this subsection, the] **THE** greater of:

(i) The product of \$145 multiplied by the number of weeks in which the wages due were earned; or

(ii) 75 percent of the disposable wages due;

(2) In Caroline, Kent, Queen Anne's, and Worcester counties, for each workweek, the greater of:]

(i) 75 percent of the disposable wages due; or

(ii) **[30] 50** times the **[federal] STATE** minimum hourly **[wages under the Fair Labor Standards Act] WAGE** in effect at the time the wages are due, **MULTIPLIED BY THE NUMBER OF WEEKS DURING WHICH THE WAGES DUE WERE EARNED**; and

**[(3)] (2)** Any medical insurance payment deducted from an employee's wages by the employer.

(c) The amount subject to attachment shall be calculated per pay period.

#### **Article – Courts and Judicial Proceedings**

11–504.

(a) In this section[,] **THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**

**(1) “PROPERTY INSURANCE” HAS THE MEANING STATED IN § 1–101 OF THE INSURANCE ARTICLE.**

**(2)** “Value” means fair market value as of the date upon which the execution or other judicial process becomes effective against the property of the debtor, or the date of filing the petition under the federal Bankruptcy Code.

(b) The following items are exempt from execution on a judgment:

(1) Wearing apparel, books, tools, instruments, or appliances, in an amount not to exceed \$5,000 in value necessary for the practice of any trade or profession except those kept for sale, lease, or barter.

(2) Except as provided in subsection (i) of this section, money payable in the event of sickness, accident, injury, or death of any person, including compensation for

1 loss of future earnings. This exemption includes but is not limited to money payable on  
2 account of judgments, arbitrations, compromises, insurance, benefits, compensation, and  
3 relief. Disability income benefits are not exempt if the judgment is for necessities contracted  
4 for after the disability is incurred.

5 (3) Professionally prescribed health aids for the debtor or any dependent of  
6 the debtor.

7 (4) The debtor's interest, not to exceed \$1,000 in value, in household  
8 furnishings, household goods, wearing apparel, appliances, books, animals kept as pets,  
9 and other items that are held primarily for the personal, family, or household use of the  
10 debtor or any dependent of the debtor.

11 (5) Cash or property of any kind equivalent in value to \$6,000 is exempt, if  
12 within 30 days from the date of the attachment or the levy by the sheriff, the debtor elects  
13 to exempt cash or selected items of property in an amount not to exceed a cumulative value  
14 of \$6,000.

15 (6) Money payable or paid in accordance with an agreement or court order  
16 for child support.

17 (7) Money payable or paid in accordance with an agreement or court order  
18 for alimony to the same extent that wages are exempt from attachment under §  
19 [15-601.1(b)(1)(ii) or (2)(i)] **15-601.1(B)(1)(I)** of the Commercial Law Article.

20 (8) The debtor's beneficial interest in any trust property that is immune  
21 from the claims of the debtor's creditors under § 14.5-511 of the Estates and Trusts Article.

22 (9) With respect to claims by a separate creditor of a husband or wife, trust  
23 property that is immune from the claims of the separate creditors of the husband or wife  
24 under § 14.5-511 of the Estates and Trusts Article.

25 **(10) A PROPERTY INSURANCE PAYMENT THAT AN INDIVIDUAL**  
26 **RECEIVES FOR RESTORATION, REMEDIATION WORK, OR REPLACEMENT.**

27 (c) (1) In order to determine whether the property listed in subsection (b)(4)  
28 and (5) of this section is subject to execution, the sheriff shall appraise the property at the  
29 time of levy. The sheriff shall return the appraisal with the writ.

30 (2) An appraisal made by the sheriff under this subsection is subject to  
31 review by the court on motion of the debtor.

32 (3) Procedures will be as prescribed by rules issued by the Court of Appeals.

33 (d) The debtor may not waive, by cognovit note or otherwise, the provisions of  
34 subsections (b) and (h) of this section.

(e) The exemptions in this section do not apply to wage attachments.

(f) (1) (i) In addition to the exemptions provided in subsection (b) of this section, and in other statutes of this State, in any proceeding under Title 11 of the United States Code, entitled “Bankruptcy”, any individual debtor domiciled in this State may exempt the debtor’s aggregate interest in:

1. Personal property, up to \$5,000; and

2. Subject to subparagraph (ii) of this paragraph:

A. Owner-occupied residential real property, including a condominium unit or a manufactured home that has been converted to real property in accordance with § 8B-201 of the Real Property Article; or

B. A cooperative housing corporation that owns property that the debtor occupies as a residence.

(ii) The exemption allowed under subparagraph (i)2 of this paragraph may not exceed the amount under 11 U.S.C. § 522(d)(1), adjusted in accordance with 11 U.S.C. § 104, subject to the provisions of paragraphs (2) and (3) of this subsection.

(2) An individual may not claim the exemption under paragraph (1)(i)2 of this subsection on a particular property if:

(i) The individual has claimed successfully the exemption on the property within 8 years prior to the filing of the bankruptcy proceeding in which the exemption under this subsection is claimed; or

(ii) The individual’s spouse, child, child’s spouse, parent, sibling, grandparent, or grandchild has claimed successfully the exemption on the property within 8 years prior to the filing of the bankruptcy proceeding in which the exemption under this subsection is claimed.

(3) The exemption under paragraph (1)(i)2 of this subsection may not be claimed by both a husband and wife in the same bankruptcy proceeding.

(g) In any bankruptcy proceeding, a debtor is not entitled to the federal exemptions provided by § 522(d) of the federal Bankruptcy Code.

(h) (1) In addition to the exemptions provided in subsections (b) and (f) of this section and any other provisions of law, any money or other assets payable to a participant or beneficiary from, or any interest of any participant or beneficiary in, a retirement plan qualified under § 401(a), § 403(a), § 403(b), § 408, § 408A, § 414(d), or § 414(e) of the United States Internal Revenue Code of 1986, as amended, or § 409 (as in effect prior to January 1984) of the United States Internal Revenue Code of 1954, as amended, shall be exempt from any and all claims of the creditors of the beneficiary or participant, other than claims

1 by the Maryland Department of Health.

2 (2) Paragraph (1) of this subsection does not apply to:

3 (i) An alternate payee under a qualified domestic relations order, as  
4 defined in § 414(p) of the United States Internal Revenue Code of 1986, as amended;

5 (ii) A retirement plan, qualified under § 401(a) of the United States  
6 Internal Revenue Code of 1986, as amended, as a creditor of an individual retirement  
7 account qualified under § 408 of the United States Internal Revenue Code of 1986, as  
8 amended; or

9 (iii) The assets of a bankruptcy case filed before January 1, 1988.

10 (3) The interest of an alternate payee in a plan described under paragraph  
11 (1) of this subsection shall be exempt from any and all claims of any creditor of the alternate  
12 payee, except claims by the Maryland Department of Health.

13 (4) If a contribution to a retirement plan described under paragraph (1) of  
14 this subsection exceeds the amount deductible or, in the case of contribution under § 408A  
15 of the Internal Revenue Code, the maximum contribution allowed under the applicable  
16 provisions of the United States Internal Revenue Code of 1986, as amended, the portion of  
17 that contribution that exceeds the amount deductible or, in the case of contribution under  
18 § 408A of the Internal Revenue Code, the maximum contribution allowed, and any accrued  
19 earnings on such a portion, are not exempt under paragraph (1) of this subsection.

20 (i) (1) In this subsection, “net recovery” means the sum of money to be  
21 distributed to the debtor after deduction of attorney’s fees, expenses, medical bills, and  
22 satisfaction of any liens or subrogation claims arising out of the claims for personal injury,  
23 including those arising under:

24 (i) The Medicare Secondary Payer Act, 42 U.S.C. § 1395y;

25 (ii) A program of the Maryland Department of Health for which a  
26 right of subrogation exists under §§ 15–120 and 15–121.1 of the Health – General Article;

27 (iii) An employee benefit plan subject to the federal Employee  
28 Retirement Income Security Act of 1974; or

29 (iv) A health insurance contract.

30 (2) Twenty–five percent of the net recovery by the debtor on a claim for  
31 personal injury is subject to execution on a judgment for a child support arrearage.

32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to  
33 apply only prospectively and may not be applied or interpreted to have any effect on or  
34 application to any writ of garnishment or writ of execution issued before the effective date

1 of this Act.

2 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
3 October 1, 2020.