

# SENATE BILL NO. 409

June 27, 2023, Introduced by Senators CAVANAGH, IRWIN, MCMORROW, CHANG, GEISS and BAYER and referred to the Committee on Finance, Insurance, and Consumer Protection.

A bill to amend 1961 PA 236, entitled  
"Revised judicature act of 1961,"  
by amending section 5451 (MCL 600.5451), as amended by 2012 PA 451.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

- 1           Sec. 5451. (1) A debtor in bankruptcy under the bankruptcy  
2 code, 11 USC 101 to 1532, may exempt from property of the estate  
3 property that is exempt under federal law or, under 11 USC  
4 522(b)(2), the following property:  
5           (a) All of the following:  
6           (i) Family pictures.

1 (ii) Arms and accoutrements required by law to be kept by a  
2 person.

3 (iii) Wearing apparel, excluding furs.

4 (iv) Cemeteries, tombs, and rights of burial in use as  
5 repositories for the dead of the debtor's family or kept for burial  
6 of the debtor.

7 (v) Professionally prescribed health aids.

8 (b) Provisions and fuel for comfortable subsistence of each  
9 householder and his or her family for 6 months.

10 (c) The interest, not to exceed a value of \$450.00 in each  
11 item and an aggregate value of ~~\$3,000.00~~, **\$5,000.00**, in household  
12 goods, furniture, utensils, books, appliances, and jewelry.

13 (d) The interest, ~~not to exceed \$500.00 in value~~, in a seat,  
14 pew, or slip occupied by the debtor or the debtor's family in a  
15 house or place of public worship.

16 (e) The interest, not to exceed ~~\$2,000.00~~ **\$10,000.00** in value,  
17 in crops, farm animals, and feed for the farm animals.

18 (f) The interest, ~~not to exceed \$500.00 in value~~, in  
19 household pets, **companion animals, and service animals.**

20 (g) The interest, not to exceed ~~\$2,775.00~~ **\$15,000.00** in value,  
21 in 1 motor vehicle.

22 (h) The interest, not to exceed ~~\$500.00~~ **\$5,000.00** in value, in  
23 ~~1 computer~~ **computers** and its ~~computer~~ **computer** accessories, **including, but**  
24 **not limited to, mobile computing devices, and mobile phones.**

25 (i) The interest, not to exceed ~~\$2,000.00~~ **\$10,000.00** in value,  
26 in the tools, implements, materials, stock, apparatus, or other  
27 things to enable a person to carry on the profession, trade,  
28 occupation, or business in which the person is principally engaged.

29 (j) Money or other benefits paid, provided, allowed to be paid

1 or provided, or allowed, by a stock or mutual life, health, or  
2 casualty insurance company because of the disability due to injury  
3 or sickness of an insured person, whether the debt or liability of  
4 the insured person or beneficiary was incurred before or after the  
5 accrual of benefits under the insurance policy or contract, except  
6 that this exemption does not apply to actions to recover for  
7 necessities contracted for after the accrual of the benefits.

8 (k) All individual retirement accounts, including Roth IRAs,  
9 or individual retirement annuities as defined in section 408 or  
10 ~~408a~~**408A** of the internal revenue code **of 1986**, 26 USC 408 and  
11 ~~408a~~**408A**, and the payments or distributions from those accounts  
12 or annuities. This exemption applies to the operation of the  
13 federal bankruptcy code as permitted by section 522(b)(2) of the  
14 bankruptcy code, 11 USC 522. This exemption does not apply to the  
15 amount contributed to an individual retirement account or  
16 individual retirement annuity within 120 days before the debtor  
17 files for bankruptcy. This exemption does not apply to any of the  
18 following:

19 (i) The portion of an individual retirement account or  
20 individual retirement annuity that is subject to an order of a  
21 court pursuant to a judgment of divorce or separate maintenance.

22 (ii) The portion of an individual retirement account or  
23 individual retirement annuity that is subject to an order of a  
24 court concerning child support.

25 (iii) The portion of an individual retirement account or  
26 individual retirement annuity that is attributable to contributions  
27 to the individual retirement account or premiums on the individual  
28 retirement annuity, including the earnings or benefits from those  
29 contributions or premiums, that, in the tax year made or paid,

1 exceeded the deductible amount allowed under section 408 of the  
2 internal revenue code **of 1986**, 26 USC 408. This limitation on  
3 contributions does not apply to a rollover of a pension, profit-  
4 sharing, stock bonus plan, or other plan that is qualified under  
5 section 401 of the internal revenue code **of 1986**, 26 USC 401, or an  
6 annuity contract under section 403(b) of the internal revenue code  
7 **of 1986**, 26 USC 403.

8 (l) The right or interest of a person in a pension, profit-  
9 sharing, stock bonus, or other plan that is qualified under section  
10 401 of the internal revenue code **of 1986**, 26 USC 401, or an annuity  
11 contract under section 403(b) of the internal revenue code **of 1986**,  
12 26 USC 403, if the plan or annuity is subject to the employee  
13 retirement income security act of 1974, Public Law 93-406, 88 Stat.  
14 829, **and the payments or distributions from the plan or annuity.**  
15 This exemption does not apply to any amount contributed to a  
16 pension, profit-sharing, stock bonus, or other qualified plan or a  
17 403(b) annuity if the contribution occurs within 120 days before  
18 the debtor files for bankruptcy. This exemption does not apply to  
19 the right or interest of a person in a pension, profit-sharing,  
20 stock bonus, or other qualified plan or a 403(b) annuity to the  
21 extent that the right or interest is subject to either of the  
22 following:

23 (i) An order of a court pursuant to a judgment of divorce or  
24 separate maintenance.

25 (ii) An order of a court concerning child support.

26 (m) The interest of the debtor, the codebtor, if any, and the  
27 debtor's dependents, not to exceed ~~\$30,000.00~~ **\$250,000.00** in value  
28 or, if the debtor or a dependent of the debtor at the time of the  
29 filing of the bankruptcy petition is 65 years of age or older or

1 disabled, not to exceed ~~\$45,000.00~~ **\$350,000.00** in value, in a  
2 homestead.

3 (n) Property described in section 1 of 1927 PA 212, MCL  
4 557.151, or real property, held jointly by a husband and wife as a  
5 tenancy by the entirety, except that this exemption does not apply  
6 with regard to a claim based on a joint debt of the husband and  
7 wife.

8 (o) If the owner of a homestead dies, leaving a surviving  
9 spouse but no children, the surviving spouse before his or her  
10 remarriage, unless the surviving spouse is the owner of a homestead  
11 in his or her own right, may exempt the homestead and the rents and  
12 profits of the homestead.

13 (p) **Any money paid or to be paid because the debtor or a**  
14 **dependent of the debtor was a crime victim.**

15 (q) **The debtor's interest in or money held in a bank account**  
16 **that the debtor received within the previous 18 months as payment**  
17 **of any means-tested public assistance benefits, unemployment**  
18 **compensation benefits, federal earned income tax credit under**  
19 **section 32 of the internal revenue code of 1986, 26 USC 32, state**  
20 **tax credit under section 272 of the income tax act of 1967, 1967 PA**  
21 **281, MCL 206.272, or a similar credit under a program of this state**  
22 **or a local unit of government providing an earned income tax**  
23 **credit, disability benefits, or worker's compensation benefits. The**  
24 **source of money held in a bank account under this subdivision must**  
25 **be determined by applying a first-in, first-out assumption.**

26 (r) **In addition to the exemptions provided in subdivisions (a)**  
27 **to (q), the debtor's aggregate interest in any property, not to**  
28 **exceed in value \$2,000.00 plus up to \$15,000.00 of any unused**  
29 **amount of the exemption provided under subdivision (m).**

1           (2) In a joint bankruptcy case, the exemptions in subsection  
2 (1) apply fully for each debtor.

3           (3) The exemptions in subsection (1) apply to all property  
4 held in a revocable trust of which the debtor is the settlor to the  
5 same extent the property would be exempt if it were not held in  
6 trust.

7           (4) The value of property to which an exemption is applied  
8 under subsection (1) and the adjusted value of the exemption must  
9 be determined on the date the bankruptcy petition is filed.

10          (5) If the interest of the debtor in a homestead does not  
11 exceed the applicable exemption amount under subsection (1) (m) on  
12 the date the bankruptcy petition is filed, an appreciation in the  
13 debtor's interest during the pendency of the case remains exempt.

14          (6) ~~(2)~~—An exemption under this section does not apply to a  
15 mortgage, lien, or security interest in the exempt property that is  
16 consensually given or lawfully obtained unless the lien is obtained  
17 by judgment, attachment, levy, or similar legal process in  
18 connection with a court action or proceeding against the debtor.

19          (7) ~~(3)~~—If property that is exempt under this section is sold,  
20 damaged, destroyed, or acquired for public use, the right to  
21 receive proceeds or, if the owner receives proceeds and holds them  
22 in a manner that makes them identifiable as proceeds, the proceeds  
23 received are exempt from the property of a federal bankruptcy  
24 estate in the same manner and amount as the exempt property. An  
25 exemption under this subsection may be claimed up to 1 year after  
26 the receipt of the proceeds by the owner.

27          (8) ~~(4)~~—On March 1, 2005 and at the end of each 3-year period  
28 after 2005, the state treasurer shall adjust each dollar amount in  
29 this section or, for each adjustment after March 1, 2005, each

1 adjusted amount, by an amount determined by the state treasurer to  
2 reflect the cumulative change in the ~~consumer price index~~ **Consumer**  
3 **Price Index** for the 3-year period ending on the December 31  
4 preceding the adjustment date and rounded to the nearest \$25.00.  
5 The state treasurer shall publish the adjusted amounts. The  
6 adjusted amounts apply to cases filed on or after April 1 following  
7 the adjustment date.

8 (9) ~~(5)~~—As used in this section:

9 (a) "Consumer ~~price index~~" **Price Index**" means the ~~consumer~~  
10 ~~price index~~ **Consumer Price Index** for all urban consumers in the  
11 area of Detroit-Ann Arbor-Flint, Michigan, published by the United  
12 States ~~department of labor~~ **Department of Labor** or, if the United  
13 States ~~department of labor~~ **Department of Labor** ceases publishing  
14 that index, the most similar index available.

15 (b) "Disabled" means unable to engage in substantial gainful  
16 activity, as defined by 42 USC 1382c(a)(3)(E), as a result of a  
17 physical or mental impairment and receiving supplemental security  
18 income under 42 USC 1382c(a)(3)(A) and (C).

19 (c) "Proceeds" means money payable or paid as a result of 1 or  
20 more of the following:

21 (i) Sale of the property.

22 (ii) Insurance or other indemnification for damage or  
23 destruction of the property.

24 (iii) Compensation for the acquisition for public use of the  
25 property.

26 (d) "Homestead" means 1 of the following owned or being  
27 purchased under an executory contract by the debtor that the debtor  
28 or a dependent of the debtor occupies as his or her principal  
29 residence:

1           (i) If the land is located outside of a recorded plat, city, or  
2 village, a residential dwelling and appurtenances and the land on  
3 which they are situated, not exceeding 40 acres.

4           (ii) If the land is located within a recorded plat, city, or  
5 village, a residential dwelling and appurtenances and the land on  
6 which they are situated, not exceeding 1 lot or parcel.

7           (iii) A residential dwelling situated on land not owned by the  
8 debtor.

9           (iv) A condominium unit.

10          (v) A unit in a cooperative.

11          (vi) A motor home.

12          (vii) A boat or other watercraft.

13          (e) "Residential dwelling" includes, but is not limited to, a  
14 house or a manufactured or mobile home.