

Federal vs. Arizona Bankruptcy Exemptions

Posted by Andrews Law

Chapter 7 bankruptcy exemptions determine whether you get to keep your home, car, pension, personal belongings, or other property. If a certain item is exempt, you may keep it during and after bankruptcy. If it is not exempt, the bankruptcy trustee is allowed to sell the property to pay your unsecured creditors. Chapter 13 bankruptcy exemptions determine how much you will have to pay to nonpriority, unsecured creditors through your Chapter 13 plan. If you are considering bankruptcy, it's important to understand how exemptions work and learn what property is exempt in your state. Some states offer you a choice between their State exemptions and the Federal bankruptcy exemptions.

Other states require you to use their state exemptions. Some states have special exemptions that apply specifically to bankruptcy, while others apply exemption laws that affect any kind of court-ordered collection activity. These statutes are drafted in "legal speak." Also, most states do not list their exemptions in a neat little table like the common ones listed below. You should check the actual citations for specific limitations or qualifications or updates of these exemptions as they are updated by administrative order and this may happen at any time. Further, when an administrative order is written, the numbers in the statute are old, and don't match current amounts of the new relevant exemptions. The below exemptions are not meant to be a comprehensive list for Arizona, but meant to indicate some of the most commonly used.

Homestead Exemptions

Debtors may claim a homestead exemption in up to \$150,000 of equity in the real property upon which the debtor's house sits, condo or co-op, a mobile home in which the debtor resides and the land upon which the mobile home is located A.R.S. § 33-1101.

Motor Vehicles

Debtors may exempt one car with fair market value up to \$5,000. If the debtor is physically disabled, that exemption is doubled to \$10,000. A.R.S. §33-1125(8). Married filers may claim up to \$5,000 exemption in two cars or they may stack their exemption and claim up to \$10,000 exempt in one single vehicle.

Money/Bank Accounts

Debtors may not exempt any amount of cash. However, Arizona provides an exemption of \$150 for money in one bank account. A.R.S. § 33-1126(A)(9). Married filers may double this exemption to \$300.

Retirement Accounts

Debtors may exempt all amounts in an IRA or 401(k) except those amounts contributed within 120 days of filing. A.R.S. § 33-1126(B).

Household Goods

Household Goods and Furnishings. Debtors may claim up to \$4,000 exempt in household furniture, furnishings and appliances used personally by the debtor. This exemption can be doubled to \$8,000 for married filers. A.R.S. § 33-1123.

Clothing

Debtors may exempt up to \$500 in their wearing apparel used primarily for personal, family or household purposes. A.R.S. § 33-1125(1). Married debtors may double this exemption.

Engagement & Wedding Rings

Debtors may exempt up to \$1000 in all engagement and wedding rings. A.R.S. § 33-1125(4).

Tools and equipment used in a commercial activity, trade, business or profession

The tools, equipment, instrument and books of a debtor or the spouse of a debtor primarily used in, and necessary to carry on, the commercial activity, trade, business or profession of the debtor or the debtor's spouse, not in excess of an aggregate fair market value of two thousand five hundred dollars. A.R.S. § 33-1130

If you are considering bankruptcy, contact the experienced attorneys at Andrews Law, PLC to determine what exempt property you may keep during and after bankruptcy. Call 1.888.955.9111 or 480.237.9756 today to discuss your options in a confidential consultation.