

SENATE BILL REPORT

SHB 2571

As Reported By Senate Committee On:
Judiciary, February 23, 2006

Title: An act relating to collecting health care services debt under the homestead exemption.

Brief Description: Collecting health care services debt under the homestead exemption.

Sponsors: House Committee on Judiciary (originally sponsored by Representatives Morrell, Cody, Conway, Blake, Eickmeyer, Wallace, Flannigan, Roberts and Hasegawa).

Brief History: Passed House: 2/09/06, 98-0.

Committee Activity: Judiciary: 2/23/06 [DPA].

SENATE COMMITTEE ON JUDICIARY

Majority Report: Do pass as amended.

Signed by Senators Kline, Chair; Weinstein, Vice Chair; Johnson, Ranking Minority Member; Carrell, Esser, Hargrove, McCaslin, Rasmussen and Thibaudeau.

Staff: Cindy Fazio (786-7405)

Background: Under the laws of the enforcement of judgments, the homestead exemption protects a debtor's equity in real or personal property that the debtor uses, or plans to use, as a residence, from the execution or forced sale by certain creditors. The exemption is limited to the lesser of: (1) \$40,000 if the homestead consists of real property or a mobile home, or \$15,000 if the homestead consists of personal property; or (2) the total net value of the homestead property. Net value is defined as the market value of the property less all liens and encumbrances that are senior to the judgment being executed upon.

The homestead exemption is not available against an execution or forced sale to satisfy certain kinds of judgments, including judgments on mortgages or deeds of trust on the property; construction, laborer's, or other liens arising out of and against the particular property; child support or spousal maintenance obligations; debts owed to the state for the recovery of medical assistance costs; or condominium or homeowners' association liens.

The current homestead exemption amount of \$40,000 for real property and mobile homes has been in effect since 1999, when the amount was increased from \$30,000. The availability of a homestead in personal property was established in 1993 at an amount of \$15,000 and has not been changed since then.

Summary of Amended Bill: Creates a joint select committee on the homestead exemption.

The committee must consist of one member from each of the two largest caucuses of the senate, appointed by the president of the senate; one member from each of the two largest caucuses of the house of representatives, appointed by the speaker of the house of representatives; one member from the Washington Collector's Association; one member who

assists persons in debt relief, appointed by the Governor; and a representative of the Washington State Bar Association.

The committee must review and analyze how to collect health care services debt under the homestead exemption in chapter 6.13.030 RCW; the appropriateness of increasing the level of the homestead exemption; and the effect of an increase on creditors and debtors.

Staff support must be provided by Senate Committee Services and the Office of Program Research.

Legislative members of the committee must be reimbursed for travel expenses.

The committee must report its findings and recommendations to the Governor and the appropriate legislative committees by December 31, 2006.

Amended Bill Compared to Original Bill: Creates a committee to study the homestead exemption and the collection of health care service debt instead of increasing the allowed homestead exemption debt collection.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This matter came to me because of a situation in which a state employee became very sick and could not work. Due to the large medical bills, they filed for bankruptcy. If the bankruptcy had been filed under the new bankruptcy law, they would have lost their house. I think we should protect people from losing their homes over medical bills. During discussions, we struggled over the dollar amounts and how to change them. The intent of the bill is to protect people from losing their homes over the inability to pay medical bills.

Testimony Against: None.

Who Testified: PRO: Representative Morrell, Sponsor.