

# HOUSE BILL REPORT

## HB 2571

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**As Reported by House Committee On:**  
Judiciary

**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:** Representatives Morrell, Cody, Conway, Blake, Eickmeyer, Wallace, Flannigan, Roberts and Hasegawa.

**Brief History:**

**Committee Activity:**

Judiciary: 1/17/06, 1/30/06 [DPS].

**Brief Summary of Substitute Bill**

- Increases the value of the homestead exemption limit where the homestead is subject to execution or forced sale for the recovery of health care services debt.

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### HOUSE COMMITTEE ON JUDICIARY

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Lantz, Chair; Flannigan, Vice Chair; Williams, Vice Chair; Priest, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Campbell, Kirby, Serben, Springer and Wood.

**Staff:** Edie Adams (786-7180).

**Background:**

Certain property of a debtor is protected from execution or forced sale by the homestead exemption. The homestead exemption protects a debtor's equity in the real or personal property that the debtor uses or plans to use as a residence. 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 liens, laborer's liens, and 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. The amount of the real property homestead exemption has changed over time as follows:

<u>Year</u>	<u>Amount</u>
1881	\$1,000
1895	\$2,000
1945	\$4,000
1955	\$6,000
1971	\$10,000
1977	\$20,000
1983	\$25,000
1987	\$30,000
1999	\$40,000

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**Summary of Substitute Bill:**

In cases where the homestead is subject to execution or forced sale to satisfy a judgment for the payment of health care services debt, the value of the homestead exemption is increased to \$100,000 in the case of real property or mobile homes, or \$50,000 in the case of personal property that is used as a residence. The \$100,000 exemption limit in the case of real property or mobile homes is increased annually, beginning on July 1, 2007, by a rate of 5 percent over the previous year's exemption limit amount. The Administrator for the Courts is directed to publish this adjusted amount in the Washington State Register.

"Health care service" means service offered or provided by health care facilities and health care providers relating to the prevention, cure, or treatment of illness, injury, or disease.

**Substitute Bill Compared to Original Bill:**

The original bill increased the exemption limit in the case of real property or mobile homes to \$150,000 and did not include an annual 5 percent increase for this amount.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** This bill is important because of a concern with medical bankruptcies and what is happening with the federal law. People can lose a home in a medical bankruptcy. When a person has a serious health issue, such as a constituent of mine who had a brain tumor, it doesn't take long for vacation and sick days to run out and the person is left without a paycheck. We don't want people to lose their homes as a result of serious medical problems.

**Testimony Against:** None.

**Persons Testifying:** Representative Morrell, prime sponsor.

**Persons Signed In To Testify But Not Testifying:** None.