

EXPAND THE WASHINGTON STATE HOMESTEAD STATUTE

WHEREAS, the right of honest but unfortunate debtors to pursue a fresh start through bankruptcy is enshrined in the United States Constitution; and

WHEREAS, the homestead exemption—the value of a bankrupt debtor’s home that they are allowed to protect from sale by the bankruptcy estate—is a cornerstone of the bankruptcy system, intended to enable debtors to meet their obligations to their creditors to the best of their ability without losing the homes where they’ve raised their children, worked the land, and made their living; and

WHEREAS, the homestead exemption in Washington is limited by RCW 6.13.030 to “the lesser of ... the total net value of the lands ... or ... the sum of one hundred twenty-five thousand dollars”; and

WHEREAS, the Ninth Circuit Court of Appeals ruled in *Wilson v. Rigby*, 909 F.3d 306 (9th Cir. 2018) that “nothing in Washington’s homestead exemption statute tethers the homestead exemption amount to the bankruptcy filing date,” and

WHEREAS, the *Wilson* court further ruled that appreciation in the value of a homestead after the filing of a bankruptcy is *not* protected by the exemption; and

WHEREAS, the citizens of the First Legislative District, and the rest of the State, are blessed to live in a highly livable and desirable region where the value of a modest property can often greatly exceed \$125,000, and properties can often appreciate in value significantly during the pendency of a bankruptcy; and

WHEREAS, the turmoil in the housing market over the past decade has left thousands of mortgage-paying homeowners with no equity in their homes, which under current state law means that they are not entitled to any homestead exemption at all; and

WHEREAS, the economic devastation wrought upon our State and the rest of the nation by the COVID-19 pandemic makes this issue especially relevant for thousands of Washingtonians who face economic ruin due to months of unemployment, and whose effects are likely to be felt for many years to come; and

WHEREAS, the First District Democrats believe that Americans who work hard and play by the rules should not face total financial ruination due to circumstances that are so often beyond their control,

NOW, THEREFORE, BE IT RESOLVED that the First District Democrats urge our legislators to

- Remove the “lesser of” language in RCW 6.13.030, which currently limits the homestead exemption to “the lesser of ... the total net value of the lands ... or ... the sum of one hundred twenty-five thousand dollars”; and
- Raise the cap on the state homestead exemption from one hundred twenty-five thousand dollars to two hundred fifty thousand dollars, and
- Calculate going forward, an adjusted homestead exemption on an annual basis by the rate of inflation; and

THEREFORE, BE IT FURTHER RESOLVED that we urge our legislators to make the law clear that a debtor in bankruptcy has the right to amend their homestead exemption after filing to capture appreciation in the value of the property; and

THEREFORE, BE IT FURTHER RESOLVED that a copy of this resolution will be forwarded to the Snohomish County Democrats, King County Democrats, and Washington State Democrats Central Committee for Consideration at their next meeting; and

THEREFORE, BE IT FINALLY RESOLVED that a copy of this resolution will be sent to the legislators of the First District and to the Governor of the State of Washington.

Proposed by Christina Henry – July 8, 2020

Recommend DO PASS by the Issues Committee, July 12, 2020.