

APPENDIX A

Rating Criteria

Our grading criteria for each protection are discussed in the text of this report. The text below describes the methodology used to arrive at each grade. Going forward, we plan to make inflation adjustments to the dollar amounts in our criteria every three years.

FAMILY OF FOUR. For purposes of this report, we assume that the debtor is the head of a family of four. Thus, if a state provides a higher exemption amount for a person who is the head of a family, we have used that amount in our ratings. A few states also provide small increases in their protection of wages or property when the debtor has dependent children. In those states, we have assumed that the debtor has two children.

CARS AND “TOOLS OF THE TRADE.” Several jurisdictions provide an exemption for a car only if the debtor uses it to get to work. Since this exemption would be available for the typical working family, we have included those exemptions in this report. In some other states, an exemption for “tools of the trade” may apply to a car, but often the courts require the car to be used for more work-related functions than just getting to and from work. In this report we have assumed that any exemption for tools of the trade is not interpreted to be flexible enough to exempt a car that is used for commuting, unless the statutory language is more specific about applying a “tools” or “working tool” exemption to a car.

STRUCTURE OF STATE EXEMPTION LAWS AND USE OF WILDCARDS. Some state exemption laws provide a list of property that debtors can preserve from their creditors, with a dollar cap for each category. Others provide a “wildcard” exemption of a certain dollar amount. Then the debtor chooses what specific items to protect. Some wildcards are limited to certain kinds of property, and some are available only if the debtor does not take advantage of some other exemption, usually the homestead exemption. Many states’ exemption schemes combine both a list of earmarked exemptions and a wildcard.

In order to treat these states uniformly, so that their results for debtors can be compared on a state-by-state basis, this report employs certain assumptions. We assume that, if a wildcard is available, the debtor will apply it first to preserve a car worth up to \$15,000, because for so many debtors a working car is necessary to keep a job, buy groceries, and get health care. However, if the wildcard exemption is at least \$3,000 and the state does not offer an earmarked exemption for a bank account or household goods, we reserve \$1,000 of the wildcard for those purposes. If any amount of a wildcard remains after applying it to preserve a car worth up to \$15,000, we apply it next to a bank account, if the state allows it to be used for this purpose and if the state did not provide an earmarked exemption for a

bank account. If any amount remains after preserving up to \$3,000 in a bank account, we apply the remainder to the debtor's household goods, up to \$17,000. If any amount remains after preserving \$17,000 in household goods, we then apply up to an additional \$5,000 to the debtor's car.

In some states, a wildcard is available only if the debtor does not claim some other exemption, typically a homestead exemption. For purposes of our ratings of the state's protection of a car, a bank account, and household goods, we have assumed that the debtor has not claimed a homestead exemption. A few states offer a wildcard in the amount of any unused portion of certain earmarked exemptions for types of personal property. In these states, we have assumed that the debtor has not used an exemption for tools of the trade or crops, but has used the full exemption for a car, a bank account, and household goods.

WAGE SEIZURE CALCULATIONS. In calculating the amount of wages protected from seizure, we have assumed that the debtor is working full-time at minimum wage and is the head of a four-person household that includes two dependent children. If the state law explicitly requires the state minimum wage rather than the federal minimum wage to be used in a particular calculation, we have done so. In the few states that provide that a calculation is to be based on the larger of the state or local minimum wage, we have used the state minimum. If the state minimum wage varies by region within the state or by the size of the employer, we use the highest minimum wage. For Vermont, which protects more of a worker's wages if the debt arose from a consumer credit transaction, we assume that it did. For simplicity, our wage seizure calculations are based on gross wages, not net wages. In drafting a wage seizure limit, however, the distinction between net and gross wages is important, because the exact calculations can make a significant difference.

Many wage seizure laws protect the higher of two calculations—one based on a flat amount, such as \$750 or 30 times the federal or state minimum wage, and the other based on a percentage of the worker's weekly earnings. In a state with a higher minimum wage than the federal minimum, we assume that a full-time worker is earning 40 times the state minimum wage, and our percentage of earnings calculation is based on that figure.

MEDIAN HOME VALUES. Our rating of the state's protection of the debtor's home is based on the extent to which the state's homestead exemption protects a median-priced home in the state. We base median home values on the U.S. Census Bureau's most recent American Community Survey. This report is usually released in the fall and reflects the previous year's median prices, broken down by state.⁵¹ For this report we used the most recent values available when researching this report, i.e. 1-year estimates for 2024.

In New York, where the exempt amount ranges from \$102,400 to \$204,825 depending on the county, we have chosen the highest exemption amount (\$204,825), which applies to 10 counties in the New York City area. The average of those 10 counties' median home values was \$720,930 in 2024.⁵²

For the Virgin Islands, a 2020 figure⁵³ is the latest available. To estimate the 2024 median, we determined the average percentage increase in median values across the United States between 2020 and 2024. (For 2024, we used the 2024: ACS 1-Year Estimates (B25077)). We calculated the percentage increase for each state by dividing the 2024 estimates by the 2020 estimates and then took the average of all the state increases. Our final step was to apply this average percentage increase to the 2020 Virgin Islands median value. The result was a median home value of \$455,177.

OTHER RULES. Some states provide higher exemption amounts for debtors who are older or have disabilities. In this report we have not used these higher amounts.

Some states allow married debtors to “stack” their exemptions. For example, if a state allowed a \$2,000 exemption for a car, each spouse might be able to exempt that amount and save a car worth \$4,000. The figures in this report are based on the individual exemption amounts unless otherwise stated.

Some states make a homestead exemption dependent in whole or in part on filing of a document declaring that the home is the debtor's homestead. In those states, we have assumed that the debtor has filed the required declaration.

HOW WE DEAL WITH AMBIGUITIES IN EXEMPTION LAWS. When there are ambiguities in state exemption laws, we have generally interpreted them in favor of a broader rather than a narrower exemption. For example, some states' exemption laws are not clear about whether a wildcard exemption, such as one that applies to “any real or personal property,” can be used to protect a bank account. If we could find any cases that treated such a wildcard as available to protect a bank account, we treated it as available. If we have overlooked any decisions or statutes that address these or other questions, please bring them to our attention.

Interpreting ambiguous exemption laws broadly is in line with the general principle that state exemption laws are to be interpreted liberally in favor of the debtor. But it also means that, even in states that we rate highly, the exemption law may need improvements to make it clear that the broader reading is correct.