

REVENUE: Minimal revenue impact, no statement issued

FISCAL: Minimal fiscal impact, no statement issued

Action:	Do Pass as Amended and Be Printed Engrossed
Vote:	8 - 0 - 1
Yeas:	Barton, Cameron, Garrett, Krieger, Olson, Tomei, Williamson, Barker
Nays:	0
Exc.:	Hicks
Prepared By:	Anna Braun, Counsel
Meeting Dates:	5/22, 5/30

WHAT THE MEASURE DOES: Exempts debtors' health savings accounts from collection actions and in bankruptcy. Allows Oregon debtors to use the federal bankruptcy exemptions. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- House Bill 3520 allowing federal exemptions passed the House May 15, 2013
- Prohibition enacted in 1981
- Equity for debtors without homes
- Medical savings accounts
- 21 other states allowing choice to use federal exemptions
- Currently, new arrivals in Oregon may use for two years

EFFECT OF COMMITTEE AMENDMENT: Incorporated House Bill 3520 into Senate Bill 396 A. House Bill 3520 removed the prohibition from using federal bankruptcy exemptions from Oregon law and therefore allows Oregon debtors to choose either the federal bankruptcy exemptions or the Oregon exemptions. It also clarifies that the federal exemptions do not apply to collection actions.

BACKGROUND: A debtor may protect certain assets from creditors in bankruptcy or as a defense to collection actions. The list, located at ORS 18.345, includes exemptions such as: 1) books, pictures, musical equipment to \$600 (may be doubled per couple); 2) clothes, jewelry, and personal items to \$1,800 (may be double per couple); 3) vehicles to \$3000 (\$3000 for each vehicle each per couple); 4) the homestead exemption which is \$40,000 per individual, (\$50,000 per couple) and a "wildcard" exemption of \$400.

Senate Bill 396 A would exempt health savings accounts established under Section 220 or 223 of the Internal Revenue Code. Health Savings Accounts are established under 26 U.S.C. § 223 protect a certain portion of an employee's wages from taxation and can only be used to pay medical expenses. The accounts are limited to \$3,250 per year for an individual and \$6,450 per family. Archer Medical Savings Accounts are established under 26 U.S.C § 223 and are similar but designed for self-employed individuals or employers with under 50 employees.

In addition, Senate Bill 396 A removes the prohibition in Oregon law against using the federal bankruptcy exemptions. Debtors must choose either to use the Oregon exemptions or the federal exemptions. Allowing the federal exemptions does not affect collection actions. Allowing the federal exemption will allow debtors without home equity to use a greater "wildcard" because although the federal homestead exemption is smaller than Oregon's homestead exemption, debtors without home equity will able to use the amount not used to protect a homestead as a "wildcard" meaning they can use the amount to exempt any other item, like a car.

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This summary has not been adopted or officially endorsed by action of the committee.