
OLR Bill Analysis

sHB 6372 (as amended by House "A")*

AN ACT EXEMPTING FROM EXECUTION CERTAIN FUNDS IN A JUDGMENT DEBTOR'S ACCOUNT.

SUMMARY

By law, a creditor may obtain a court-ordered judgment against someone who owes him or her money (i.e., the debtor) and have an execution issued by the court served on any financial institution where the debtor has an account. Current law (1) exempts from execution the account balance, up to \$1,000, if readily identifiable electronic direct deposits from exempt sources or wages were made to the account in the previous 60 days (see BACKGROUND) or (2) alternatively allows a debtor to protect up to \$1,000 by filing an exemption from execution with the court (i.e., the “wildcard” exemption)(CGS § 52-352b(r)).

In cases where the debtor does not have readily identifiable electronic direct deposits from wages or exempt sources, this bill automatically exempts up to \$1,000 in an account from a bank execution without the debtor claiming the exemption with the court, as required under current law. It does so by requiring financial institutions to apply the wildcard exemption and leave up to an aggregate of \$1,000 in the debtor’s account, if no electronic direct deposits are readily identifiable as being from protected sources or if those deposits are less than \$1,000.

If a financial institution applies the wildcard exemption, the bill prohibits an individual from petitioning the court to claim it in response to a levy of execution.

The bill also eliminates the \$1,000 cap for direct deposits from exempt sources, but it retains the cap for wages. (Under existing federal law, the \$1,000 cap has no legal effect with respect to certain federal benefits.) Thus, the bill requires financial institutions to leave in

the debtor's account the full amount of any funds directly deposited into the account from exempt sources in the last two months.

The bill also makes minor changes, including conforming the current 60-day look-back period in state law to the two-month look-back period prescribed by federal law (31 C.F.R. § 212.3).

*House Amendment "A" specifies that the wildcard exemption cannot be claimed by an individual once it is applied by a financial institution and makes minor changes.

EFFECTIVE DATE: October 1, 2021

BACKGROUND

Exempt Sources

Federal or state laws exempt from execution recent deposits made from the following sources:

1. federal veterans' benefits;
2. Social Security benefits, including retirement, survivors' and disability benefits;
3. supplemental security income benefits;
4. certain exempt benefits paid by the federal Railroad Retirement Board or Office of Personnel Management;
5. certain exempt unemployment compensation benefits; or
6. child support payments processed and received pursuant to federal law (31 C.F.R. 212.2 and CGS § 52-352b).

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 12 Nay 6 (02/23/2021)