



PA 21-131—sHB 6372

*Banking Committee*

**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. This act changes how, and how much, money is protected from a bank execution.

Prior law (1) required financial institutions to exempt 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) and (2) allowed a debtor to protect up to \$1,000 by filing an exemption from execution (i.e., the “wildcard” exemption) (CGS § 52-352b(r)).

Prior law required debtors to claim the wildcard exemption with the court. The act instead requires financial institutions to apply the wildcard exemption by exempting up to an aggregate of \$1,000 in an account from execution if the debtor does not have readily identifiable electronic direct deposits from wages or exempt sources during the look-back period, or if deposits from those sources are less than \$1,000. If a financial institution applies the wildcard exemption, the act prohibits an individual from petitioning the court to claim it in response to a levy of execution.

The act also eliminates the \$1,000 cap for direct deposits from exempt sources, but it retains the cap for wages. (Under federal law, the \$1,000 cap has no legal effect with respect to certain federal benefits.) Thus, the act requires financial institutions to leave in the debtor’s account the full amount of any funds directly deposited into it from exempt sources in the last two months.

The act also makes minor changes, including conforming the 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).

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

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- 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; and
  6. child support payments processed and received pursuant to federal law (31 C.F.R. § 212.2 and CGS § 52-367b).