Exempt vs. Non-exempt Property Under Chapter 7.

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In a Chapter 7 liquidation case, the debtor has to turn certain property over to the bankruptcy trustee, so that the property can be sold and the proceeds used to pay off debts. Debtors, whether they are businesses or individuals, are often justifiably concerned about what property they will be allowed to keep and what they must give up. Below are examples of property that a Chapter 7 debtor will usually have to give up ("non-exempt" property), and property that the debtor may usually keep ("exempt" property).

Non-exempt Property

Items that the debtor usually has to give up include:

•Expensive musical instruments, unless the debtor is a professional musician.

•Collections of stamps, coins, and other valuable items.

•Family heirlooms.

•Cash, bank accounts, stocks, bonds, and other investments.

•A second car or truck.

•A second or vacation home.

Exempt Property

Exempt property (items that a debtor may usually keep) can include:

•Motor vehicles, up to a certain value.

•Reasonably necessary clothing.

•Reasonably necessary household goods and furnishings.

•Household appliances.

•Jewelry, up to a certain value.

•Pensions.

•A portion of equity in the debtor's home.

•Tools of the debtor's trade or profession, up to a certain value.

•A portion of unpaid but earned wages.

•Public benefits, including public assistance (welfare), social security, and unemployment compensation, accumulated in a bank account.

•Damages awarded for personal injury.

If you have questions about what property you will be allowed to retain if you file bankruptcy under Chapter 7 of the Bankruptcy Code, you may want to speak with an experienced bankruptcy attorney