

## Michigan Bankruptcy Exemptions Set to Rise Significantly on March 1

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As **we reported last year**, every three years on April 1, the dollar amounts in the Bankruptcy Code are adjusted to account for inflation. The federal dollar amounts last were increased on April 1, 2022, and are not slated for another increase until April 2025.

Michigan bankruptcy exemptions also increase every three years to adjust for inflation, and on March 1, 2023, they will increase by 14%. (For reference, the increase three years ago was approximately 6%). A bankruptcy debtor in Michigan may choose whether to use the exemptions provided under either federal or state law to "exempt" a certain amount of property from the bankruptcy estate and use it for a fresh start.

Most Michigan debtors who file for bankruptcy protection rely on the federal Bankruptcy Code exemptions because they usually provide the most protection in aggregate. Some, however, will opt for the state-specific exemptions because they provide greater protection for specific assets the debtor wishes to shield. For example, the federal exemption for equity in a debtor's residence is currently \$27,900. The corresponding Michigan state exemption for most debtors is currently \$40,475 and **will rise to \$46,125 on March 30, 2023**. The Michigan exemption for those who are over age 65 or disabled will rise from the current value of \$60,725 to \$69,200. Thus, unmarried debtors with home equity sometimes find the state exemptions more favorable. The comparison is slightly more complicated for married couples, but similar logic applies. For these and other similar reasons, both debtors and creditors should take notice when the Michigan exemption limits are adjusted.

Miller Canfield advises clients regarding their rights in bankruptcy cases and related matters. Should you have any questions or wish assistance, please feel free to contact your Miller Canfield attorney or one of the authors of this alert.