

April 1, 1980

LB 940

PRESIDENT: The Chair recognizes Senator Landis.

SENATOR LANDIS: Mr. Speaker and members of the Legislature, the language, although I haven't looked in the Journal, I assume is the same language adopted in LB 901 and working from that assumption there are three changes. First, there is the declination of the federal options and those probably have been described to you. If you do not exercise the federal options which exist now and which you will no longer have the option of doing so in the event LB 940 passes, you then have the ability to use the state exemptions from attachment or judgment for the purposes of your bankruptcy. That means those goods, or those values which may not be touched or attached to satisfy a judgment or be used to satisfy the demands of creditors in a bankruptcy case. In other words, that amount of property you get to keep following a bankruptcy. The existing personal property amount in Nebraska law is \$1500 worth of personal property to be selected by the debtor. This would raise that amount to \$2500. The amount of equity that you are allowed to maintain in your home, your homestead, is increased from the existing figure of \$4000 to \$6500. Now these figures are based on an analysis of the real dollar value now as opposed to the time when these changes were initiated in 1973. In other words, the \$1500 figure, the \$4000 figure, were passed in 1973. If you apply a real dollar index to that amount, you arrive at roughly the figures that are now in LB 901 and which are sought to be placed in LB 940. That is where the figures \$2500 and \$6500 come from. The third change that is in LB 940 is a closing of the life insurance loophole that exists in current Nebraska statutes. Our current exemptions allow you to keep the cash value of your life insurance policies after bankruptcy and that value may not be touched for the satisfaction of debts that you may have. Now this, of course, usually in the case of most poor people isn't any amount at all because they usually don't have life insurance or if they have they have not accrued a very large cash value. However, there are examples of well-heeled people in, for example, Omaha and other places who have had 60 to 80 thousand dollars in cash value in a life insurance policy which would continue in force and be retained by the debtor following the bankruptcy and then, of course, could be negotiated to the...turned into the cash, could be used as a negotiating tool, as something to be borrowed rather against after the bankruptcy. So, the new language in LB 901 which again is being sought to be included in 940 says that up to \$5000 of cash value in the event the beneficiary for that life insurance policy is either the spouse or a dependent, so that, for example, you may not have a beneficiary