

Department of Legislative Services  
Maryland General Assembly  
2026 Session

FISCAL AND POLICY NOTE  
Enrolled - Revised

Senate Bill 939

(Senator Henson)

Judicial Proceedings

Economic Matters

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**Bankruptcy Proceedings - Exemptions From Execution - Residential Real Property**

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This bill expands the exemption of owner-occupied real property to specifically include residential real property of a settlor that is held in a revocable trust. The bill also increases the maximum amount of the exemption to \$125,000 for an individual. If multiple individuals in the same bankruptcy proceeding claim the exemption, the total exemption amount may not exceed \$125,000. Beginning in fiscal 2028, the maximum exemption amount must be adjusted each fiscal year based on changes in the Consumer Price Index (All Urban Consumers – United States City Average – All Items) for the previous calendar year and rounded to the nearest \$25. The bill repeals existing provisions prohibiting specified repeat claims for an exemption of the same owner-occupied residential real property. **The bill applies prospectively to bankruptcy proceedings filed on or after the bill’s June 1, 2026 effective date.**

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**Fiscal Summary**

**State Effect:** The bill does not directly affect State finances or operations.

**Local Effect:** The bill does not directly affect local finances or operations.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary/Current Law:** Under current law, in any federal bankruptcy proceeding under Title 11 of the U.S. Code (the federal Bankruptcy Code), an individual debtor domiciled in the State may claim the statutory exemptions from execution on a money

judgment and further exempt other specified assets. One of these specified assets is owner-occupied residential real property, including a condominium unit or a manufactured home that has been converted to real property or a cooperative housing corporation that owns property that the debtor occupies as a residence. The bill adds residential real property of a settlor that is held in a revocable trust to this exemption.

Under current law, the exemption allowed for this property may not exceed the amount under 11 U.S.C. § 522(d)(1), adjusted in accordance with 11 U.S.C. § 104 (\$31,575 as of April 1, 2025). The bill repeals this provision and replaces it with an exemption of up to \$125,000 for an individual. If multiple individuals in the same bankruptcy proceeding claim the exemption for the same property, the total exemption amount may not exceed \$125,000. Beginning in fiscal 2028, these exemption amounts must be adjusted each fiscal year based on changes in the Consumer Price Index (All Urban Consumers – United States City Average – All Items) for the previous calendar year and rounded to the nearest \$25.

Under current law, an individual may not claim this exemption on a particular property if the individual or specified family members of the individual have successfully claimed an exemption on the property within the eight years preceding the bankruptcy filing. A husband and wife may not both claim an exemption on the property in the same bankruptcy proceeding. The bill repeals these provisions.

The State has opted out of the federal bankruptcy exemptions that are similar to those exemptions specified above; thus, in a bankruptcy proceeding, a debtor is not entitled to the federal exemptions provided by § 522(d) of the federal Bankruptcy Code.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 1098 (Delegates Stewart and Tomlinson) - Economic Matters.

**Information Source(s):** Judiciary (Administrative Office of the Courts); Department of Legislative Services

**Fiscal Note History:**  
jg/jkb

First Reader - March 3, 2026  
Third Reader - April 1, 2026  
Revised - Amendment(s) - April 1, 2026  
Enrolled - May 6, 2026  
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