# REPORT TO THE JUDICIAL COUNCIL

For business meeting on May 24-25, 2018

Title	Α
Forms: Enforcement of Judgment Exemption	A
Rules, Forms, Standards, or Statutes Affected	E

Revise form EJ-155

**Recommended by** Civil and Small Claims Advisory Committee Hon. Ann I. Jones, Chair Agenda Item Type Action Required

Effective Date September 1, 2018

Date of Report April 25, 2018

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# **Executive Summary**

Assembly Bill 688 (Calderon; Stats. 2017, ch. 529) amended Welfare and Institutions Code section 4880 to provide an exemption from enforcement of judgments for funds in special savings accounts for persons with disabilities. The amount exempted is \$100,000. To assist court users and to help implement this legislation, the exemption must be added to the Judicial Council form that lists exemptions to enforcement of judgments.

## Recommendation

The Civil and Small Claims Advisory Committee recommends that that Judicial Council, effective September 1, 2018, revise *Exemptions From the Enforcement of Judgments* (form EJ-155) to add an exemption from enforcement of judgments, not to exceed \$100,000, for funds in savings accounts established under the federal Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 (ABLE Act); to update the information box on amounts of exemptions; and to make the form a mandatory form.

The revised form is attached at pages 5–6.

# **Previous Council Action**

The Judicial Council initially approved *Exemptions From the Enforcement of Judgments* (form EJ-155) effective July 1, 1983. The form has been revised many times as the exemptions have changed; the most recent revision was effective April 1, 2016.

# **Rationale for Recommendation**

The federal ABLE Act encourages and assists individuals and families to save private funds in a tax-advantaged savings account to support persons with disabilities to maintain their health, independence, and quality of life by excluding from gross income money used for disability expenses by a beneficiary of a qualified ABLE program established and maintained by a state.

California has a qualified ABLE program (CalABLE) to implement the federal ABLE Act. Effective September 1, 2018, Welfare and Institutions Code section 4880(c) will provide that "moneys in an ABLE account, not to exceed one hundred thousand dollars (\$100,000), shall be exempt from enforcement of a money judgment without making a claim."

*Exemptions From the Enforcement of Judgments* (form EJ-155) is currently an optional form that lists assets that may be exempt from levy on a judgment, including the type of property and the particular statute that provides the exemption. Form EJ-155 would be revised to add ABLE accounts, consistent with the recent legislation. Revising this form to add ABLE accounts will inform individuals holding these accounts, judges, court personnel, and other parties of this exemption without the need for the person claiming the exemption to file a claim of exemption. (New Welfare and Institutions Code section 4880(c) provides for the exemption up to \$100,000 without the need to file a claim of exemption.)

The form would also be revised to update information in a box discussing the amount of exemptions. It would reference another form, *Current Dollar Amounts of Exemptions From Enforcement of Judgments* (form EJ-156), which lists the amount of exemptions under certain statutes and provides information on amounts that are amended every three years. The current version of the form states the amount of the exemptions is available from the clerk of the court and on the California Courts website. The revision to this box would remove that statement, as the information is now contained in form EJ-156.

In addition, because Code of Civil Procedure section 700.010(a)(3) has been amended to require that a levying officer must serve form EJ-155, as well as a claim of exemption form and other documents with the notice of levy, the form will be revised to refer to "the claim of exemption form that you received from the levying officer."

# **Comments, Alternatives Considered, and Policy Implications**

## **External comments**

The proposal circulated for public comment from December 15, 2017, to February 9, 2018. Three comments were received. Commenters included two superior courts and the legislative chairperson of the California Association of Judgment Professionals. Two of the commenters agreed with the proposal and one did not state a position but suggested modifications. One of the superior courts that responded suggested changes to the information box to make it clearer and more concise. One such a change has been made.

Another commenter suggested a change to language in the first sentence of the form to more accurately reflect that assets are levied in enforcing a judgment, rather than a "levy on a judgment." This change has been made. The commenter also noted that Code of Civil Procedure section 700.010(a)(3) requires a levying officer to serve form EJ-155, among other documents, on the judgment debtor. Thus, the existing form language stating that the judgment debtor may get a claim of exemption form from the levying officer is no longer accurate and has been revised. Because the form must be served, it has been changed from an optional form to a mandatory form. Rule 1.31 of the California Rules of Court addresses mandatory forms and provides in subdivision (a) that "[f]orms adopted by the Judicial Council for mandatory use are forms prescribed under Government Code section 68511. Wherever applicable, they must be used by all parties and must be accepted for filing by all courts." Government Code section 68511 provides in part: "The Judicial Council may prescribe by rule the form and content of forms used in the courts of this state. When any such form has been so prescribed by the Judicial Council, no court may use a different form which has as its aim the same function as that for which the Judicial Council's prescribed form is designed." Though form EJ-155 is not to be filed with a court, it must be served in enforcing judgments and therefore it seems appropriate that it be a mandatory form.

The invitation to comment for this proposal asked whether ABLE accounts should be listed in two places on the form (as some other types of property are)—under both a standalone category (ABLE Accounts) and as a subcategory under Deposit Accounts.<sup>1</sup> Two commenters believed it should be so listed but provided no further comment. The other commenter, from the California Association of Judgment Professionals, pointed out that an ABLE account will most likely *not* be kept in a deposit account because of the relatively large amount of money involved and the extended period of time over which it will be needed. Instead, an ABLE account may be kept with an investment manager, brokerage house, or in another financial vehicle, none of which are deposit accounts. The commenter suggested listing ABLE accounts solely as a standalone category and the committee agreed.

#### Alternatives

Because of the need to assist court users by providing accurate information on exemptions from enforcement of judgments and the enactment of legislation that adds ABLE accounts to the assets that are exempt, the advisory committee did not consider alternatives. The committee

<sup>&</sup>lt;sup>1</sup> At the time this proposal circulated for comment, the State Treasurer's website stated that the CalABLE Board was considering the following features for ABLE accounts: "ability to contribute automatically through routine deductions from a bank account," "ability to invite friends and family to contribute directly an account," "deposit online or by check," and "diverse investment options."

determined that revising this form to refer court users to form EJ-156 for a list of the amount of certain exemptions was preferable to leaving a statement on the form that such a list is available from the clerk of the court and on the California Courts website.

# Implementation Requirements, Costs, and Operational Impacts

Implementation requirements and operational impacts would be minimal. One of the two courts that commented said there would be none while the other said that court clerks, courtroom assistants, judicial officers, and judicial assistants would need to be familiarized with the updated form and with ABLE accounts.

# **Attachments and Links**

- 1. Form EJ-155, at pages 5–6
- AB 688 (Stats. 2017, ch. 529), <u>http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\_id=201720180AB688</u>

#### EXEMPTIONS FROM THE ENFORCEMENT OF JUDGMENTS

The following is a list of assets that may be exempt from levy in enforcing a judgment.

Exemptions are found in the United States Code (USC) and in the California codes, primarily the Code of Civil Procedure (CCP).

Because of periodic changes in the law, the list may not include all exemptions that apply in your case. The exemptions may not apply in full or under all circumstances. Some are not available after a certain period of time. You or your attorney should read the statutes.

If you believe the assets that are being levied on are exempt, file the claim of exemption form that you received from the levying officer.

AMOUNT OF EXEMPTIONS: For the exemption amount, please refer to the code section listed below for each type of property. The current amounts of certain exemptions are listed in *Current Dollar Amounts of Exemptions From Enforcement of Judgments* (form EJ-156). The amounts of some of the exemptions are amended every three years and become effective immediately on April 1 under the provisions of Code of Civil Procedure section 703.150.

Type of Property	Code and Section	Type of Property	Code and Section
ABLE AccountsAccounts)	Welf & I C § 4880(c)	Benefit Payments <i>(cont.)</i> Relocation Benefits	CCP § 704.180
Appliances	CCP § 704.020	Retirement Benefits	•
Art and Heirlooms	CCP § 704.040	and Contributions:	000 0 704 445
Automobiles	CCP § 704.010	Private	CCP § 704.115
BART District Benefits	CCP § 704.110	Public	CCP § 704.110
	Pub Util C § 28896	Segregated Benefit Funds	Ins C § 10498.5
Benefit Payments:		Social Security Benefits	42 USC § 407
BART District Benefits	CCP § 704.110	Strike Benefits	CCP § 704.120
Charity	Pub Util C § 28896	Transit District Retirement	
Charity	CCP § 704.170	Benefits (Alameda and	
Civil Service Retirement		Contra Costa Counties)	CCP § 704.110
Benefits (Federal)	5 USC § 8346	Unemployment Benefits	Pub Util C § 25337
County Employees Retirement Benefits	CCP § 704.110	and Contributions	CCP § 704.120
	Govt C § 31452	Veterans Benefits	38 USC § 3101
Disability Insurance Benefits	CCP § 704.130	Veterans Medal of Honor	00 000 3 0101
Fire Service Retirement	CCF 3704.130	Benefits.	38 USC § 562
Benefits	CCP § 704.110	Welfare Payments	CCP § 704.170
	Govt C § 32210		Welf & I C § 17409
Fraternal Organization	00110 3 02210	Workers Compensation	CCP § 704.160
Funds Benefits	CCP § 704.130	Boats	CCP § 704.060
	CCP § 704.170		CCP § 704.710
Health Insurance Benefits	CCP § 704.130	Books	CCP § 704.060
Irrigation System	001 3101100	Building Materials (Residential)	CCP § 704.030
Retirement Benefits	CCP § 704.110	Business:	5
Judges Survivors Benefits		Licenses	CCP § 695.060
(Federal)	28 USC § 376(n)		CCP § 699.720(a)(1)
Legislators Retirement		Tools of Trade	CCP § 704.060
Benefits	CCP § 704.110	Cars and Trucks (including	-
	Govt C § 9359.3	proceeds)	CCP § 704.010
Life Insurance Benefits:	-	Cash	CCP § 704.070
Group	CCP § 704. 100	Cemeteries:	
Individual	CCP § 704. 100	Land Proceeds	Health & SC § 7925
Lighthouse Keepers		Plots	CCP § 704.200
Widows Benefits	33 USC § 775	Charity	CCP § 704.170
Longshore & Harbor Workers		Claims, Actions and Awards:	
Compensation or Benefits	33 USC § 916	Personal Injury	CCP § 704.140
Military Benefits:	-	Worker's Compensation	CCP § 704.160
Retirement	10 USC § 1440	Wrongful Death	CCP § 704.150
Survivors	10 USC § 1450	Clothing	CCP § 704.020
	10 000 3 1100	Condemnation Proceeds	CCP § 704.720(b)
Municipal Utility District	CCD \$ 704 110	County Employees Retirement	
Retirement Benefits	CCP § 704.110 Pub Util C § 12337	Benefits	CCP § 704.110
Peace Officers Retirement	1 45 641 6 3 12661	Damages (See Personal Injury	Govt C § 31452
Benefits	CCP § 704.110	and Wrongful Death)	
	Govt C § 31913		
Pension Plans		Deposit Accounts:	
(and Death Benefits):	COD \$ 704 145	Escrow or Trust Funds	Fin C § 17410
Private	CCP § 704.115	Social Security Direct	
Public	CCP § 704.110 CCP § 704.170	Deposits	CCP § 704.080
	CCP § 704.170		

Welf & I C § 17409

#### **EXEMPTIONS FROM THE ENFORCEMENT OF JUDGMENTS**

(Continued)

Type of Property	Code and Section
Direct Deposit Account:	000 \$ 704 000
Social Security Disability Insurance Benefits Dwelling House Earnings	CCP § 704.080 CCP § 704.130 CCP § 704.740 CCP § 704.070 CCP § 706.050 15 USC § 1673(a)
Educational Grant	Ed C § 21116
Employment Bonds Financial Assistance: Charity Public Assistance	Lab C § 404 CCP § 704.170 CCP § 704.170 Welf & I C § 17409
Student Aid	CCP § 704.190
Fire Service Retirement	CCP § 704.110 Govt C § 32210
Fraternal Organizations Funds and Benefits	CCP § 704.130 CCP § 704.170
Fuel for Residence         Furniture         General Assignment for	CCP § 704.020 CCP § 704.020
Benefit of Creditors Health Aids Health Insurance Benefits Home:	CCP § 1801 CCP § 704.050 CCP § 704.130
Building Materials	CCP § 704.030 CCP § 704.740 CCP § 704.720 CCP § 704.730
Housetrailer Mobilehome Homestead	CCP § 704.710 CCP § 704.710 CCP § 704.720 CCP § 704.730
Household Furnishings	CCP § 704.020
Disability Insurance Fraternal Benefit Society Group Life Health Insurance Benefits Individual Insurance Proceeds—	CCP § 704.130 CCP § 704.110 CCP § 704.100 CCP § 704.130 CCP § 704.100
Motor Vehicle	CCP § 704.040 CCP § 704.110
Judges Survivors Benefits (Federal) Legislators Retirement	28 USC § 376(n)
Benefits	CCP § 704.110 Govt C § 9359.3
Licenses	CCP § 695.060 CCP § 720(a)(1)
Lighthouse Keepers Widows Benefits Longshore and Harbor Workers	33 USC § 775
Compensation or Benefits	33 USC § 916
Retirement Survivors Military Personnel—Property	•
Motor Vehicle (Including Proceeds)	CCP § 704.010 CCP § 704.060

itinued)	
Type of Property	Code and Section
Municipal Utility District Retirement Benefits	CCP § 704.110
Peace Officers Retirement Benefits	Pub Util C § 12337 CCP § 704.110
Pension Plans:	Govt C § 31913
Private	CCP § 704.115 CCP § 704.110
Personal Effects	CCP § 704.020
Personal Injury Actions or Damages	CCP § 704.140
Prisoner's Funds Property Not Subject to Enforcement of Money	CCP § 704.090
Judgments	CCP § 704.210
Devices	CCP § 704.050
Provisions (for Residence)	CCP § 704.020 CCP § 704.170
	Welf & I C § 17409
Public Employees: Death Benefits	CCP § 704.110
Pension	CCP § 704.110
Retirement Benefits	CCP § 704.110
Railroad Retirement Benefits	CCP § 704.113 45 USC § 2281
Railroad Unemployment	45 050 9 2201
Insurance	45 USC § 352(e)
Relocation Benefits Retirement Benefits and Contributions:	CCP § 704.180
Private	CCP § 704.115
Public	CCP § 704.110
Segregated Benefit Funds	Ins C § 10498.5
Servicemembers Property	Ins C § 10498.6
Social Security	50 USC § 523(b) 42 USC § 407
Social Security Direct Deposit	
Account	CCP § 704.080
Strike Benefits	CCP § 704.120
Tools of Trade	CCP § 704.190 CCP § 704.060
Transit District Retirement Benefits (Alameda and Contra	001 3704.000
Costa Counties)	CCP § 704.110
Travelers Check Sales Proceeds	Pub Util C § 25337
Unemployment Benefits and	Fin C § 1875
Contributions	CCP § 704.120
Uniforms	CCP § 704.060
Vacation Credits (Public Employees)	CCP § 704.113
Veterans Benefits	38 USC § 3101
Veterans Medal of Honor Benefits	00,110,0,0,500
Wages	38 USC § 562 CCP § 704.070
5	CCP § 704.070
	CCP § 706.051
Welfare Payments	CCP § 704.170 Welf & I C § 17409
Workers Compensation	-
Claims or Awards	CCP § 704.160
Damages	CCP § 704.150

	Commentator	Position	Comment	Committee Response
1.	Susan Ryan Chief Deputy of Legal Services Riverside Superior Court, County of Riverside Comment on Behalf of Org.: Yes	A	<ul> <li>Does the proposal appropriately address the stated purpose? Yes.</li> <li>Should ABLE accounts be listed in two places on the form, including under the heading "Deposit Accounts" as shown in this proposal? Yes, the duplicate listing is consistent with the treatment of other types of accounts listed in the form such as Social Security.</li> <li>Does the box on "Amount of Exemptions" provide sufficient information about where to find information on the amount of certain exemptions? Yes. However, the paragraph is wordy. Consider revising the</li> </ul>	The committee appreciates the comments to the specific questions posed in the invitation to comment. In response to comment 2, the committee decided to list ABLE accounts in only one place on the form, alphabetically.
			<ul> <li>paragraph as follows:</li> <li>"For the exemption amount, please refer to the code section listed for each type of property. Current Dollar Amounts of Exemptions From Enforcement of Judgments (form EJ-156) lists current amounts for several exemptions. Those exemptions amended every three years become effective immediately on April 1 under the provisions of Code of Civil Procedure section 703.150."</li> <li>What would the implementation requirements be for courts? The court clerks, courtroom assistants, judicial officers, and judicial assistants would need to be familiarized with the updated form and on ABLE accounts.</li> </ul>	The committee changed the form to use the first sentence suggested by the commenter (beginning with "For the exemption amount") in place of the first sentence on the form that circulated for comment.

	Commentator	Position	Comment	Committee Response
			• Would 3 months from Judicial Council approval of this proposal until its effective date provide sufficient time for implementation? Yes.	
2.	Gretchen D. Lichtenberger Legislative Chairperson California Association of Judgment Professionals		<ol> <li>First line of page 1 on the form: This currently reads "<i>The following is a list of assets that may be exempt from levy on a judgment</i>." A levy is not typically done "<i>on</i>" a judgment, the levy is done "on" assets of the judgment debtor. For clarity and to avoid confusion, we would like to suggest replacing the word "on" with the word "in enforcing" so that sentence reads "<i>The following is a list of assets that may be exempt from levy in enforcing a judgment</i>."</li> <li>Fifth line of page 1 on the form: This currently reads "<i>If you believe the assets that are being levied on are exempt, file a claim of exemption form, which you can get from the levying officer</i>." The law changed in 2014 [CCP §700.010(a)(3)] so that now when a levy is done, the judgment debtor must be served a blank <i>Claim of Exemption</i> form, as well as the exemption forms EJ-155 and EJ-156, along with</li> </ol>	The committee has made this change. The committee has made the change suggested by the commenter, instructing the form user to file the claim of exemption form that he or she received from the levying officer.
			the <i>Notice of Levy</i> . This new law relieved the Levying Officers of having to field calls and walk-ins from judgment debtors looking for the <i>Claim of Exemption</i> form. So now, every judgment debtor receives the <i>Claim of</i> <i>Exemption</i> form in the mail along with the <i>Notice of Levy</i> form. Your form EJ-155 cites to CCP §700.010 in the lower right-hand corner, as	

Commentator	Position	Comment	Committee Response
		it did previously, however now that statute requires the <i>Claim of Exemption</i> form to be served on the debtor. Therefore, we would like to suggest changing that sentence to read " <i>If you</i> <i>believe the assets that are being levied on are</i> <i>exempt, file the Claim of Exemption form you</i> <i>received with the levying officer. All judgment</i> <i>enforcement forms can be found at</i> <i>http://www.courts.ca.gov/forms.htm/?filter=EJ</i> ".	
		3) Regarding " <i>Optional Use</i> ": In the lower left corner of page 1, the EJ-155 form states " <i>Form</i> <i>Approved for Optional Use</i> ". Since CCP §700.010 mandates that the judgment debtor be served with this form, shouldn't the EJ-155 form be considered a " <i>Mandatory Use</i> " form now? This would also be true for " <i>Mandatory</i> <i>Use</i> " for form EJ-156.	Though the form isn't one that is filed in court, it must be served on judgment debtors, as the commenter notes. The committee therefore agrees that it should be changed from "optional" to "mandatory." The committee will consider recommending that form EJ-156 be made a mandatory form through a technical amendment.
		4) Regarding placing ABLE Accounts in two locations on the form: You provided an example of other types of property that are listed twice using the " <i>Building Materials</i> " example however a better analogy would be Social Security, which is listed under " <i>Deposit</i> <i>Account</i> ", " <i>Direct Deposit Account</i> " and also under " <i>Social Security Direct Deposit</i> "; it is found in three separate places on the EJ-155.	
		Social Security is typically direct deposited into a deposit account at a financial institution and not typically kept in any other type of financial	

Commentator	Position	Comment	Committee Response
		vehicle. Whereas an ABLE account will most likely NOT be kept in a "deposit account" because of the size of the amount of money kept there and the extended period of time the money will be needed. A "deposit account" is defined as "a demand, time, savings, passbook, or similar account maintained with a bank. The term does not include investment property or accounts evidenced by an instrument" [CCP §680.170, Commercial Code §9102(a)(29)]. A certificate of deposit, commonly referred to as a "CD", though usually held at a bank, is not, by legal definition, a "deposit account". A CD is considered a "Security" [CCP §680.345; Commercial Code §8102(a)(15)] because the depositor's interest is represented by the certificate given to the depositor. In some cases, a CD may be considered an "Instrument" [CCP §682.220, Commercial Code §9102(a)(47)]. "Deposit Accounts" are levied upon under CCP §700.140 whereas a "Security" is levied upon under CCP §700.130 and an "Instrument" is levied upon under CCP §700.110. An ABLE account will most probably be put wherever the account is likely to draw the most interest, which could be with an investment manager or a brokerage house and then the ABLE account would fall under the title of a "Security", not a "Deposit Account".	

	Commentator	Position	Comment	Committee Response
			We think that listing ABLE Accounts under "Deposit Accounts" will cause confusion because that listing may lead the third-person applying the exemption to read that listing such that the only ABLE Accounts that are exempt are those in "Deposit Accounts". The statute Welfare & Institutions Code §4875 et seq specifically calls the accounts "ABLE Accounts", not "ABLE Deposit Accounts" recognizing that those types of accounts can be established in many different types of financial vehicles without limiting those accounts to just deposit accounts. Because ABLE Accounts will most likely be maintained in financial vehicles <i>other than</i> "deposit accounts", shown as the first item on your proposed new form EJ-155, without listing ABLE Accounts".	The committee agreed with this comment and listed ABLE accounts in only one place on the form, alphabetically.
3.	Mike Roddy Executive Officer Superior Court of California, County of San Diego	A	<ul> <li>Q: Does the proposal appropriately address the stated purpose?</li> <li>Yes.</li> <li>Q: Should ABLE accounts be listed in two places on the form, including under the heading "Deposit Accounts" as shown in this proposal?</li> </ul>	The committee appreciates the comments to the specific questions posed in the invitation to comment.

Yes.       Based on comment 2, the committee decided to list ABLE accounts in only one place on the form, alphabetically.         Q: Does the box on "Amount of Exemptions" provide sufficient information about where to find information on the amount of certain exemptions?       Section 2000         Yes.       Q: What would the implementation requirements be for courts—for example, training staff (please identify position and expected hours of training), revising processes and procedures (please describe), changing docket codes in case management systems?       None.         Q: Would three months from Judicial Council approval of this proposal until its effective date provide sufficient time for implementation?       Yes.	Commentator	Position	Comment	Committee Response
	Commentator	Position	<ul> <li>Yes.</li> <li>Q: Does the box on "Amount of Exemptions" provide sufficient information about where to find information on the amount of certain exemptions?</li> <li>Yes.</li> <li>Q: What would the implementation requirements be for courts—for example, training staff (please identify position and expected hours of training), revising processes and procedures (please describe), changing docket codes in case management systems, or modifying case management systems?</li> <li>None.</li> <li>Q: Would three months from Judicial Council approval of this proposal until its effective date provide sufficient time for implementation?</li> </ul>	Based on comment 2, the committee decided to list ABLE accounts in only one place on the form,