

Date of Hearing: April 28, 2026

ASSEMBLY COMMITTEE ON JUDICIARY
Ash Kalra, Chair
AB 2740 (Macedo) – As Introduced February 20, 2026

PROPOSED CONSENT

SUBJECT: ENFORCEMENT OF MONEY JUDGMENTS: EXEMPTIONS

KEY ISSUE: SHOULD THE STATE CLARIFY THAT THE CURRENT EXEMPTION FROM MONEY JUDGMENTS FOR HOME IMPROVEMENT MATERIALS APPLIES TO A PERSON'S DOMICILE?

SYNOPSIS

Californians who are unable to pay their debts can file for federal bankruptcy protection. Existing law establishes a series of exemptions to protect a baseline amount of debtors' assets from seizure by creditors. The purpose of these exemptions is to ensure that the debtor and the debtor's family are able to meet basic needs, and not be deprived of their ability to make a living—even if they declare bankruptcy. Exemptions are meant to give the debtor a fair chance to rebuild; otherwise, bankruptcy would likely drive debtors further into debt to afford necessities of life such as food, housing, and transportation.

Currently, a judgment debtor can claim an exemption for home improvement materials if they were purchased in good faith for use in the repair or improvement of the judgment debtor's principal place of residence, and likewise for their spouse's principal place of residence, when the couple lives separately. This bill would make a modest change to clarify that the existing exemption for home improvement materials applies when materials are purchased for the purpose of repairing the above-mentioned principal places of residence or the judgment debtor's domicile, or the domicile of their spouse. According to the author, this is a technical cleanup, which will clarify that the existing exemption is meant to apply to a debtor's primary residence. This bill is sponsored by the author and has no registered support or opposition.

SUMMARY: Clarifies that the current exemption from money judgments for home improvement materials applies to materials purchased for the repair or improvement of a debtor's principal place of residence or their domicile, and likewise for a spouse's principal place of residence or domicile.

EXISTING LAW:

- 1) Defines "judgment debtor" as a person against whom a judgment is rendered. (Code of Civil Procedure Section 680.250.)
- 2) Defines "money judgment" as that part of a judgment, entered in a California court, which requires the payment of money. (Code of Civil Procedure Sections 680.230, 680.270.)
- 3) Provides that, except where property is expressly exempted from collection by law, all property of a judgment debtor is subject to enforcement of a money judgment. (Code of Civil Procedure Section 695.010 (a).)

- 4) Permits debtors who file for bankruptcy to elect either the regular exemptions available to all debtors (“Section 704 exemptions”), or special California exemptions available only to bankruptcy debtors (“Section 703 exemptions”). (Code of Civil Procedure Section 703.140(a).)
- 5) Allows a judgment debtor to exempt up to three thousand dollars (\$3,500) of materials that are about to be applied to the repair or improvement of a judgment debtor’s principal place of residence or their spouse’s principal place of residence, if they live separately. (Code of Civil Procedure Section 704.030.)
- 6) Establishes a federal set of exemptions for debtors who file for bankruptcy. (11 U.S.C. Section 522.)

FISCAL EFFECT: As currently in print this bill is keyed non-fiscal.

COMMENTS: Californians who are unable to pay their debts can file for federal bankruptcy protection. Existing law establishes a series of exemptions to protect a baseline amount of debtors’ assets from seizure by creditors. The purpose of these exemptions is to ensure that the debtor and the debtor’s family are able to meet basic needs, and not be deprived of their ability to make a living—even if they declare bankruptcy. Exemptions are meant to give the debtor a fair chance to rebuild; otherwise, bankruptcy would likely drive debtors further into debt to afford necessities of life such as food, housing, and transportation.

Background on exemption statutes. The federal Bankruptcy Code provides its own set of exemptions for debtors. (*See* 11 U.S.C. Section 522.) However, federal bankruptcy law permits the states to completely negate the federal exemption scheme and instead apply only their own exemption provisions to the bankruptcy case. (11 U.S.C. Section 522 (b)(1).) California is among one of the states that have chosen to opt out of the federal scheme. (Code of Civil Procedure Section 703.130.)

California debtors can choose between two sets of state exemptions. Code of Civil Procedure Section 703.040 (b) establishes one set of exemptions, which are only available in bankruptcy cases, and often referred to as “Section 703 exemptions,” while Code of Civil Procedure Section 704.010 *et seq.* establishes an alternative set of exemptions, which are not limited to bankruptcy cases, but can be claimed when there is enforcement of any money judgment, and is similarly referred to as “Section 704 exemptions.”

Currently, using Section 704 exemptions, a judgment debtor can claim an exemption for material that in good faith is about to be applied to the repair or improvement of a residence, if the equity in the material does not exceed three thousand five hundred dollars (\$3,500) in the following cases:

- 1) If purchased in good faith for use in the repair or improvement of the judgment debtor’s principal place of residence.
- 2) Where the judgment debtor and the judgment debtor’s spouse live separate and apart, if purchased for in good faith for use in the repair or improvement of the spouse’s principal place of residence.

This bill clarifies that a judgment debtor may claim the exemption for the home improvement materials for materials proposed to be used for the repair or improvement of the above-mentioned principal places of residence, or for the judgment debtor's *domicile* or the *domicile* of their spouse. In support of this bill, the author posits:

Californians with limited means are more likely to feel the immediate effects of judgment enforcement and the cost of needed home repairs. AB 2740 makes an important clarification in existing law to ensure that materials purchased in good faith to repair or improve a person's principal home remain protected from judgment enforcement. When families are trying to maintain the roof over their heads, the law should be clear. This bill helps protect homeowners from unnecessary uncertainty and ensures the exemption is tied to the place that matters most—their primary residence.

According to the author, this bill is designed to address a technical ambiguity in existing law. Neither domicile nor principal place of residence are explicitly defined for the purposes of the Section 704 exemptions; however, in general, a person's domicile is typically the place where they have the most permanent connection, and where they intend to remain, even when temporarily absent. Likewise, a principal place of residence or principal residence, most often refers to someone's primary residence or their domicile. In either case, a person can only have one. Determining a person's principal place of residence or their domicile is a fact-specific inquiry that turns on numerous factors. To the extent that there is any confusion surrounding whether a person's principal place of residence is different from their domicile, this bill clarifies that the home material exemption can apply to either, giving debtors assurance that they can use this exemption for their primary residence.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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