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IT IS SO ORDERED.

Dated: June 2, 2025



**John E. Hoffman, Jr.
United States Bankruptcy Judge**

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

In re: : Case No. 24-54928
: :
Lonny N. Collins, : Chapter 13
: :
Debtor. : Judge Hoffman

**OPINION AND ORDER
OVERRULING OBJECTION TO CLAIM OF EXEMPTIONS**

I. Introduction

The debtor in this Chapter 13 case, Lonny N. Collins (“Debtor”), has claimed an exemption in his residence by checking the box on Schedule C—the official exemption form—that allows him to exempt 100% of the residence’s fair market value, “up to any applicable statutory limit.” Chapter 13 Trustee Faye D. English (“Trustee”) objected to the Debtor’s exemption, arguing that *Schwab v. Reilly*, 560 U.S. 770 (2010) requires her to object whenever a claimed exemption is “unclear,” and the Debtor’s exemption is unclear because it “fails to identify a specific amount being claimed.” Trustee’s Objection to Claim of Exemptions (“Objection”) (Doc. 17) at 1.

“The Chapter 13 Trustee’s position is the claimed exemption must specify an exact dollar amount.” *Id.* But *Schwab* does not stand for the proposition that a debtor must specify a dollar amount for a claimed exemption to be clear. To the contrary, the *Schwab* Court held that the scope of an exemption is clear if it “list[s] the exempt value as ‘full fair market value (FMV)’ or ‘100% of FMV[.]’” *Schwab*, 560 U.S. at 792–93. The Supreme Court also noted that trustees must object to “100% of FMV” and other non-monetary exemptions if they wish to “preserve for the estate any value in the asset beyond relevant statutory limits.” *Id.* But for the reasons explained below, claiming an exemption of “100% of fair market value, up to any applicable statutory limit”—which Schedule C was revised to permit after *Schwab*—does *not* require an objection, because claiming such an exemption automatically preserves for the estate any value in the asset above relevant statutory limits. The Objection is therefore **OVERRULED**.

II. Background

The Debtor filed his Chapter 13 bankruptcy petition on December 5, 2024. Several days later, he filed his schedules of assets and liabilities, including “Schedule C: The Property You Claim as Exempt.” Doc. 8 at 17–18. On Schedule C, the Debtor claimed his residence (“Residence”) as exempt under Ohio’s homestead exemption statute, Ohio Revised Code § 2329.66(A)(1)(b). *Id.* at 17. The Debtor did not provide a dollar value for his claimed exemption. Instead, he checked the box on Schedule C to claim as exempt “100% of [the Residence’s] fair market value, up to any applicable statutory limit.”¹ *Id.* The Trustee objected,

¹ As of the petition date, the applicable statutory limit for an exemption in property used as a residence was \$161,375. Although Ohio Revised Code § 2329.66(A)(1)(b) states that the limit is \$125,000, Ohio law provides that the dollar amounts a debtor may claim as exempt are adjusted every three years without any amendment to the statute itself. *See* Ohio Rev. Code § 2329.66(B); *see also In re Breece*, No. 12–8018, 2013 WL 197399, at *3 n.2 (B.A.P. 6th Cir. 2013) (discussing that statute). The current allowances for each type of exemption can be found on the Register of Ohio’s website, <https://www.registerofohio.state.oh.us/>, by clicking the “Ohio Judicial Conference RC 2329.66 Memorandum” link under the “Public Notices” tab.

arguing that “the claimed exemption must specify an exact dollar amount,” and because it failed to do so, the Debtor’s homestead exemption “violates the requirement of *Schwab v. Reilly* that the exemptions be clear and particular.” Obj. at 2. The Trustee then asked the Court to disallow the Debtor’s exemption in its entirety. *Id.* The Debtor did not respond to the Objection.

III. Jurisdiction and Constitutional Authority

The Trustee has objected to one of the Debtor’s claims of exemption. Objections to claims of exemption arise under § 522(1) of the Bankruptcy Code and are thus within the district court’s “arising under” jurisdiction set out in 28 U.S.C. § 1334(b). This case has been referred to this Court under 28 U.S.C. § 157(a) and the October 5, 2024 standing order of reference of the United States District Court for the Southern District of Ohio.

IV. Legal Analysis

A. The Purpose of Exemptions in Chapter 13

Filing a bankruptcy petition creates an estate that includes, subject to some inapplicable exceptions, “all legal or equitable interests of the debtor in property as of the commencement of the case.” 11 U.S.C. § 541(a)(1); *see also* 11 U.S.C. § 1306(a) (stating that property of the estate in a Chapter 13 case includes “the property specified in [§ 541]”). Here, that would include the Debtor’s interest in the Residence. But “[t]he Bankruptcy Code permits debtors to exempt certain property from the bankruptcy estate, allowing them to retain those assets rather than divide them among their creditors.” *Rousey v. Jacoway*, 544 U.S. 320, 322 (2005). “The effect of an exemption is that the debtor’s interest in the property is ‘withdrawn from the estate (and hence from the creditors) for the benefit of the debtor.’” *Gebhart v. Gaughan (In re Gebhart)*, 621 F.3d 1206, 1210 (9th Cir. 2010) (quoting *Owen v. Owen*, 500 U.S. 305, 308 (1991)).

Exemptions serve different purposes in cases under different chapters of the Bankruptcy Code. In a Chapter 7 case, all of a debtor’s nonexempt assets are liquidated, and the proceeds are

then distributed among creditors. But exempt assets are retained by the debtor, and are “not liable during or after the case for any [prepetition] debt of the debtor[.]” 11 U.S.C. § 522(c). “Quite simply, property that has been exempted belongs to the debtor,” and is beyond the reach of creditors and trustees. *Bell v. Bell (In re Bell)*, 225 F.3d 203, 216 (2d Cir. 2000). By removing certain property interests from the bankruptcy estate, exemptions in Chapter 7 “give . . . debtors a so-called ‘grub-stake’ to begin their fresh start and . . . act as a safety net, so that the debtor and his family are not completely impoverished due to creditor collection action or bankruptcy such that they become wards of the state.” *In re Robinson*, 292 B.R. 599, 606 (Bankr. S.D. Ohio 2003) (cleaned up). But “the purpose of exemptions in Chapter 13 is different from that in Chapter 7.” *In re Tolliver*, 257 B.R. 98, 100 (Bankr. M.D. Fla. 2000).

“In a Chapter 7 liquidation, exemptions ensure that . . . the debtor will not be left destitute and a public charge.” *Stuart v. Koch (In re Koch)*, 109 F.3d 1285, 1289 (8th Cir. 1997) (cleaned up); *see also In re Schnabel*, 153 B.R. 809, 817 (Bankr. N.D. Ill. 1993) (“In a liquidation exemptions are meant to protect a debtor from his creditors, [and] to provide him with the basic necessities of life[.]”) (cleaned up). But while exemptions help Chapter 7 debtors avoid destitution after discharge by enabling them to keep at least some of their property, Chapter 13 debtors “may keep possession of all their property, exempt or not, in exchange for paying their creditors out of future disposable income.” *Hoffmeister v. Super Chief Credit Union (In re Hoffmeister)*, 98 F.3d 1349 (Table), 1996 WL 560797, at *1 n.2 (10th Cir. Oct. 3, 1996). But if Chapter 13 debtors retain all their property, exempt or not, what purpose does claiming exemptions serve for them?

The exemptions claimed by Chapter 13 debtors directly impact plan confirmation. To be confirmed, a Chapter 13 plan must satisfy the “best-interest-of-creditors test,” which requires “the value . . . of property to be distributed under the plan on account of each allowed unsecured claim”

to be “not less than the amount that would be paid on such claim if the estate of the debtor were liquidated under chapter 7[.]” 11 U.S.C. § 1325(a)(4). In other words, a Chapter 13 plan cannot be confirmed unless unsecured creditors will receive at least as much through the debtor’s plan as they would if the debtor liquidated under Chapter 7. *See In re Engle*, 496 B.R. 456, 461–63 (Bankr. S.D. Ohio 2013).

To determine whether a debtor’s plan passes the best-interest test, creditors and trustees need to know what unsecured creditors would receive if the debtor liquidated under Chapter 7. And the exemptions a debtor is entitled to claim affect how much those creditors would receive in Chapter 7. The more property a debtor can exempt, the less property would be available for liquidation, and the less creditors would receive in the debtor’s hypothetical Chapter 7 case. And the less they would receive in Chapter 7, the less a debtor’s Chapter 13 plan must pay unsecured creditors to satisfy the best-interest test. *See In re Davis*, 167 B.R. 104, 106–07 (Bankr. S.D. Ohio 1994) (“This analysis and determination [of the right to claim an exemption] is important for a debtor in chapter 13 because the plan must satisfy the ‘best interest of creditors’ test set forth in 11 U.S.C. § 1325(a)(4) before it can be confirmed,” and “[t]he quantum of any claim of exemption is relevant to that test.”); *see also In re Edwards*, 105 B.R. 10, 11 (Bankr. W.D. Va. 1989) (exemptions claimed in a Chapter 13 case enable courts and trustees to determine whether “creditors receive more under the plan than they would in a chapter 7 liquidation”). In short, exemptions matter in Chapter 13 because the more property a Chapter 13 debtor may exempt, the less that debtor’s plan must pay unsecured creditors to satisfy the best-interest-of-creditors test.

“The Bankruptcy Code specifies the types of property debtors may exempt, § 522(b), as well as the maximum value of the exemptions a debtor may claim in certain assets, § 522(d).” *Schwab*, 560 U.S. at 774. States can also enact their own exemption statutes, and debtors may

choose between state and federal exemptions “unless the [applicable] State law . . . specifically does not so authorize.” 11 U.S.C. § 522(b)(2); *see also In re Weatherspoon*, 605 B.R. 472, 482 (Bankr. S.D. Ohio 2019) (discussing that statute). Put another way, § 522(b)(2) allows states to “opt out” of the Bankruptcy Code’s exemption scheme, and “[i]f a State opts out, then its debtors are limited to the exemptions provided by state law.” *Owen*, 500 U.S. at 308. Ohio has opted out of the federal exemption scheme, so Ohio debtors may only claim exemptions available to them under Ohio law. *In re Andrews*, 605 B.R. 491, 493 (Bankr. S.D. Ohio 2019) (citing *Storer v. French (In re Storer)*, 58 F.3d 1125, 1127 (6th Cir. 1995)).

“Property a debtor claims as exempt will be excluded from the bankruptcy estate unless a party in interest objects.” *Schwab*, 560 U.S. at 774 (cleaned up); *see also* 11 U.S.C. § 522(l) (“Unless a party in interest objects, the property claimed as exempt [on Schedule C] is exempt.”). “There is a *prima facie* presumption that an exemption claimed by a debtor is proper.” *In re Villavicencio*, 635 B.R. 486, 493 (Bankr. S.D. Ohio 2022), *aff’d sub nom.*, *Villavicencio v. Terlecky*, No. 2:22-cv-0918, 2023 WL 1070236 (S.D. Ohio Jan. 27, 2023), *aff’d sub nom.*, *Villavicencio v. Terlecky (In re Villavicencio)*, No. 23-3154, 2023 WL 10511015 (6th Cir. Dec. 26, 2023). Trustees and other parties in interest “may object to a claimed exemption,” but the objecting party “bears the burden of proving, by a preponderance of evidence, that the debtor is not entitled to the exemption.” *Id.*

B. Exemptions Can Be “Clear” Under *Schwab* Even if Debtors Do Not Specify the Dollar Amount They Claim as Exempt.

As stated above, exemption statutes determine the “types of property debtors may exempt,” and “the maximum value of the exemptions a debtor may claim in certain assets[.]” *Schwab*, 560 U.S. at 774. Normally, debtors cannot *fully* exempt an asset whose value is greater than the amount that may be exempted under the applicable statute. Any value in that asset over and above what

the statute allows a debtor to exempt is, by definition, not exempt, and can therefore be distributed to creditors. “But in some circumstances, if a debtor attempts to exempt more than the statutory amount and no party in interest objects . . . , the debtor retains an above-limit exemption, even if the debtor had no colorable basis for claiming the exemption.” *Munding v. Masingale (In re Masingale)*, 108 F.4th 1195, 1196 (9th Cir. 2024). In other words, debtors can sometimes get around statutory limits on exemption amounts, because “[u]nless a party in interest objects, the property claimed as exempt . . . is exempt.” 11 U.S.C. § 522(l).

Apparently concerned about the Debtor receiving an above-limit exemption, the Trustee argues that a “claimed exemption must specify an exact dollar amount,” and because the Debtor’s homestead exemption failed to do so, it “violates the requirements of *Schwab v. Reilly* that the exemptions be clear and particular.” Obj. at 1–2. But a closer reading of *Schwab* belies the Trustee’s assertion that all claimed exemptions must specify an exact dollar amount. And to fully discuss *Schwab*, the Court must first consider the decisions leading up to it.

1. Taylor and the Ensuing Circuit Split

In *Taylor v. Freeland & Kronz*, 503 U.S. 638 (1992), the Supreme Court addressed the importance of objecting to a debtor’s claimed exemptions in a timely fashion. There, the debtor claimed lawsuit proceeds of “unknown” value as exempt, and the trustee—believing the lawsuit likely had no value—did not object to that exemption claim before the deadline for doing so expired. *Taylor*, 503 U.S. at 640–41. After the Pennsylvania Supreme Court affirmed the debtor’s victory on the merits of that lawsuit, the defendant agreed to settle the issue of damages by paying the debtor \$110,000—most of which she used to pay the fees of her state court counsel. *Id.* at 641.

“Upon learning of the settlement,” the trustee sought to recover the fees paid to the debtor’s counsel. *Id.* Debtor’s counsel “argued that they could keep the fees because [the debtor] had claimed the proceeds of the lawsuit as exempt,” and the trustee failed to object to that exemption

in a timely manner. *Id.* The trustee fired back, saying that the debtor had “no statutory basis” for exempting the full amount of the proceeds. *Id.*

The parties agreed that even though the debtor “did not have a right to exempt more than a small portion of [the lawsuit] proceeds,” she “in fact claimed the full amount as exempt.” *Id.* at 642. And they agreed that “the debtor’s claimed exemption [was] objectionable on its face because the exemption concerned an asset (lawsuit proceeds) that the Code did not permit the debtor to exempt beyond a specific dollar amount.” *Schwab*, 560 U.S. at 789 (citing *id.*). But the *Taylor* Court held that “whether or not [the debtor] had a colorable statutory basis for claiming [the exemption],” the trustee’s “failure to [object in a timely manner] prevents him from challenging the validity of the exemption now.” *Taylor*, 503 U.S. at 642, 643.

After *Taylor*, circuit courts split over when a trustee must object to a debtor’s claimed exemption. *See Schwab*, 560 U.S. at 778 n.4 (noting and describing this split).

Some said that to preserve any non-exempt value in an asset for the estate, a trustee would need to object whenever a debtor claimed the full scheduled value of that asset as exempt, reasoning that *Taylor* contained “an unstated premise . . . that a debtor who exempts the entire reported value of an asset is claiming the ‘full amount,’ whatever it turns out to be.” *Allen v. Green (In re Green)*, 31 F.3d 1098, 1100 (11th Cir. 1994); *see also Olsen v. Anderson (In re Anderson)*, 377 B.R. 865, 876 (B.A.P. 6th Cir. 2007) (“[W]e are persuaded generally that a debtor’s listing of an exemption in an amount sufficient to exempt all of the available (i.e., unencumbered) value in the property indicates his or her intent to exempt the property in full.”) (citing *Green*); *In re Reilly*, 534 F.3d 173, 178–80 (3d Cir. 2008) (agreeing with *Green* and *Anderson*).

Other courts sharply differed, holding instead that “when a specific dollar figure given by statute limited the amount of the exemption, and the trustee did not forsake an interest in the

[asset], . . . listing ‘unknown’ does not, by itself, render the [asset] fully exempt.” *Stoebner v. Wick (In re Wick)*, 276 F.3d 412, 416 (8th Cir. 2002); *see also Williams v. Peyton (In re Williams)*, 104 F.3d 688, 690 (4th Cir. 1997) (“[B]y specifically claiming an exemption under section 522(b)(2)(B), [the debtor] merely claimed an exemption to which she *was* legally entitled *Taylor* does not purport to require a trustee to object to a claimed exemption to which the debtor is fully entitled.”); *Hyman v. Plotkin (In re Hyman)*, 967 F.2d 1316, 1319 (9th Cir. 1992) (claiming an exemption amount within statutory limits did not serve to fully exempt homestead, because it “did not sufficiently notify others that [the debtors] were claiming their entire homestead as exempt” and gave “the trustee [] no basis for objecting”). And yet another court focused on “how a reasonable trustee would have understood the filings under the circumstances.” *Barroso-Herrans v. Lugo-Mender (In re Barroso-Herrans)*, 524 F.3d 341, 344 (1st Cir. 2008).

Faced with these conflicting interpretations of *Taylor*, the Supreme Court granted certiorari in *Schwab* “to resolve a disagreement among the Courts of Appeals about what constitutes a claim of exemption to which an interested party must object under § 522(l).” *Schwab*, 560 U.S. at 774.

2. Schwab’s Resolution of the Circuit Split

Much like the Ohio homestead exemption statute invoked by the Debtor here, the statute at issue in *Schwab* “define[d] the property the debtor [was] authorized to exempt as an interest, the value of which may not exceed a certain dollar amount, in a particular type of asset.” *Schwab*, 560 U.S. at 774. And the “value of [the] claimed exemption in that asset [was] an amount within the limits that the [exemption statute] prescribes.” *Id.* (cleaned up). The debtor, Nadejda Reilly, disclosed on Schedule B that she owned “cooking and other kitchen equipment,” “to which she assigned an estimated market value of \$10,718.” *Id.* at 775. Then, on her Schedule C, Reilly claimed several exemptions in the equipment, in an aggregate amount equal to the value she assigned it on Schedule B. *See id.* Because Reilly’s exemption claims fell within applicable

statutory limits, the Chapter 7 trustee, William Schwab, did not object to them. *See id.* at 776. Instead, armed with an appraisal showing that the equipment's actual value was much higher than what Reilly had assigned it, Schwab sought to sell the equipment, pay Reilly the amount she claimed as exempt, and distribute the equipment's remaining value to creditors. *See id.*

Reilly argued that by equating the total value of her exemptions in the equipment with the equipment's scheduled value, she had provided notice of her intent to exempt the equipment's full fair market value, even if that value exceeded the statutory limits. *See Schwab*, 560 U.S. at 776. Because Schwab never objected to her exemptions, Reilly argued he had forfeited the estate's claim to any portion of the equipment's value. *See id.* The bankruptcy court, district court, and Third Circuit agreed that Reilly's exemption schedule provided notice of her intent to fully exempt the equipment, and that Schwab's failure to object entitled Reilly to do so, even though the equipment's value exceeded the limits set by the applicable exemption statute. *See id.* at 777.

The Supreme Court reversed. First, it expressly rejected the reasoning of the *Green*, *Anderson*, and *Reilly* cases discussed above, saying that "*Taylor* does not rest" on the "unstated premise" that "a debtor who exempts the entire reported value of an asset is claiming the full amount, whatever it turns out to be." *Schwab*, 560 U.S. at 790 (cleaned up). Instead, the *Schwab* Court said *Taylor* "establishes and applies the straightforward proposition that an interested party must object to a claimed exemption if the amount the debtor lists as the 'value claimed exempt' is not within statutory limits, a test the value (\$ *unknown*) in *Taylor* failed[.]" *Id.* Then, based on that straightforward proposition, the *Schwab* Court held that because Reilly had claimed exemption amounts that were within applicable statutory limits, Schwab did not need to object to preserve the estate's right to retain any surplus value in the equipment. *Id.* at 782. Reilly, in other words, failed to put Schwab on notice of her intent to fully exempt the equipment beyond the statutory limits by

simply claiming exemptions equal to the equipment’s scheduled value. In so holding, the Supreme Court explained how a debtor could attempt to exempt the full fair market value of an asset:

Where, as here, it is important to the debtor to exempt the full market value of the asset or the asset itself, our decision will encourage the debtor to declare the value of her claimed exemption *in a manner that makes the scope of the exemption clear, for example, by listing the exempt value as “full fair market value (FMV)” or “100% of FMV.”* Such a declaration will encourage the trustee to object promptly to the exemption if he wishes to challenge it and preserve for the estate any value in the asset beyond relevant statutory limits.

Schwab, 560 U.S. at 792–93 (cleaned up) (emphasis added).

Under *Schwab*, a claimed exemption is “clear” if it explicitly attempts to exempt the “full fair market value (FMV)” or “100% of FMV” of an asset. Faced with such an exemption claim, a trustee must object if she wishes to “preserve for the estate any value in the asset beyond relevant statutory limits.” *Id.* But nothing in *Schwab* supports the position that debtors must specify a dollar amount of a claimed exemption for it to be clear.

C. The Post-*Schwab* Amendments to Schedule C Made the Trustee’s Objection Unnecessary.

After the *Schwab* Court explained how debtors could attempt to fully exempt an asset, even if the applicable statute did not entitle them to do so, Schedule C was revised to make it more difficult for debtors to obtain above-limit exemptions. The current version of Schedule C reads:

Part 1: Identify the Property You Claim as Exempt

1. Which set of exemptions are you claiming? Check one only, even if your spouse is filing with you.

- You are claiming state and federal nonbankruptcy exemptions. 11 U.S.C. § 522(b)(3)
- You are claiming federal exemptions. 11 U.S.C. § 522(b)(2)

2. For any property you list on Schedule A/B that you claim as exempt, fill in the information below.

Brief description of the property and line on Schedule A/B that lists this property	Current value of the portion you own <small>Copy the value from Schedule A/B</small>	Amount of the exemption you claim <small>Check only one box for each exemption.</small>	Specific laws that allow exemption
Brief description: _____ Line from Schedule A/B: _____	\$ _____	<input type="checkbox"/> \$ _____ <input type="checkbox"/> 100% of fair market value, up to any applicable statutory limit	_____

U.S. Admin. Office of the Courts, Bankr. Forms: Official Form 106C (April 2025).

As revised, Schedule C no longer permits debtors to fully exempt assets without regard to applicable statutory limits, *e.g.*, by claiming an exemption amount of “100%” or “100% of fair market value.” As for the amount of each claimed exemption, Schedule C now “prompts the debtor to make a choice between entering a dollar amount or checking the box for the phrase 100% of fair market value, up to any applicable statutory limit.” Keith M. Lundin, *Lundin On Chapter 13*, § 36.10, at ¶ 5, LundinOnChapter13.com (last visited May 29, 2025). “If the debtor chooses the second option in [Schedule C]—the ‘100% of fair market value’ option—the *form explicitly states that there is an ‘applicable statutory limit’ on the exemption claimed.*” *Id.* (emphasis added). In other words, when debtors choose the second option on Schedule C, they do not claim 100% of fair market value as exempt—they claim “100% of fair market value, *up to any applicable statutory limit*” as exempt.

There is a big difference between exempting 100% of a property’s fair market value, and exempting 100% of a property’s fair market value, *up to any applicable statutory limit*. The former would allow a debtor to circumvent statutory exemption limits and fully exempt an asset (assuming no party asserts a valid objection). But the latter, by definition, only allows a debtor to exempt an asset’s value up to the applicable statutory limit. As the Committee Notes to Schedule C explain:

The form [was] changed in light of the Supreme Court’s ruling in *Schwab* Entries in the “amount of the exemption you claim” column may now be listed as either a dollar limited amount or as 100% of fair market value, up to any applicable statutory limit. For example, a debtor might claim 100% of fair market value for a home covered by an exemption capped at \$15,000, and that limit would be applicable. This choice would impose no dollar limit where the exemption is unlimited in dollar amount[.]

U.S. Admin. Office of the Courts, Advisory Comm. on Rules of Bankr. Proc., Official Form 106C (Committee Note) at 4 (April 2025); *see also Masingale*, 108 F.4th at 1203–04 (discussing the post-*Schwab* amendments to Schedule C).

In short, the plain language of Schedule C now makes claimed exemptions of “100% of fair market value” subject to “any applicable statutory limit.” That means, *as the form itself explains*, that “if [a debtor] claim[s] an exemption of 100% of fair market value under a law that limits the exemption to a particular dollar amount and the value of the property is determined to exceed that amount, [the debtor’s] exemption would be limited to the applicable statutory amount.” Official Form 106C at 1. Unless a debtor attempts to circumvent the form’s limits in some way, property will only be exempt up to applicable statutory limits. Any value in that property beyond the statutory limit is, by definition, nonexempt property—that is, property of the estate.

To be sure, even after the amendments to Schedule C, there are some situations in which failing to specify the dollar value of a claimed exemption remains a red flag. Rather than choosing one of the two options provided by the form (that is, exempting either a specific dollar amount or “100% of fair market value, up to any applicable statutory limitation”), debtors might try to circumvent the form’s limits by writing “100%” or “unknown” where a dollar amount should be entered. As *Schwab* itself noted, “Schedule C entries listing the value of a claimed exemption as ‘unknown,’ ‘to be determined,’ or ‘100%’ are red flags to trustees and creditors” that “put them on notice that if they do not object, the whole value of the asset—whatever it might later turn out to be—will be exempt[.]” *Schwab*, 560 U.S. at 789 n.16 (cleaned up). So if, for example, the Debtor had written in “unknown,” “to be determined,” “100%,” or anything of that sort in Schedule C, the Trustee would have needed to object to preserve any non-exempt value for the estate. *See Taylor*, 503 U.S. at 642; *Schwab*, 560 U.S. at 790.

In summary, because claiming an exemption with a value beyond (or potentially beyond) applicable statutory limits is objectionable on its face, a debtor's failure to specify the dollar amount claimed as exempt may, in some situations, raise a red flag indicating that the trustee should object. But a debtor using the "100% of fair market value, up to any applicable statutory limit" box on Schedule C is not one of those situations. Indeed, the post-*Schwab* amendments to Schedule C were intended to "reduc[e] the incidence of facially invalid exemptions and any corresponding need to object." *Masingale*, 108 F.4th at 1203. And this case shows how those amendments are—or at least should be—working as intended.

Here, Schedule C's "up to any applicable statutory limit" language makes the Trustee's Objection unnecessary. If the Court were to sustain the Objection, "the [D]ebtor [would] be required either to forfeit the portion of the exemption that exceeds the statutory allowance, or to revise other exemptions or arrangements with [his] creditors to permit the exemption." *Schwab*, 560 U.S. at 793. But the Debtor has already forfeited any portion of his homestead exemption that exceeds the statutory allowance by only seeking to exempt "100% of [the Residence's] fair market value, *up to any applicable statutory limit*." Because the Debtor's exemption is subject to "any applicable statutory limit," any value beyond that limit has already been preserved for the estate. Sustaining the Trustee's Objection would therefore achieve nothing—other than giving the Trustee relief to which she is not entitled.

D. There Are No Circumstances Under Which the Trustee Would Be Entitled to Have the Debtor's Homestead Exemption Disallowed in Its Entirety.

Speaking of relief to which the Trustee is not entitled: In addition to making the arguments rejected above, the Trustee asks the Court to disallow the Debtor's homestead exemption in its entirety. Obj. at 2. But the Trustee would not be entitled to that relief even if the Debtor had sought to exempt his interest in the Residence beyond the applicable statutory limit. In fact, shortly

before asking the Court to totally disallow the Debtor's exemption, the Trustee quoted a portion of *Schwab* explaining that “[i]f the trustee objects [to an exemption] and the objection is sustained, the debtor will be required either to *forfeit the portion of the exemption that exceeds the statutory allowance*, or to revise other exemptions or arrangements with her creditors to permit the exemption.” *Schwab*, 560 U.S. at 793 (emphasis added); *see also* Obj. at 2 (quoting same).

Schwab says, in no uncertain terms, that if a trustee's objection to a claimed exemption is sustained, the debtor only forfeits any portion of the exemption that exceeds the statutory limit. Any value under that limit would still be exempt. So even if the Trustee had a valid objection to the Debtor's homestead exemption—which she does not—there would be no support for her argument that the exemption should be disallowed in its entirety.

E. The Debtor's Plan Payments Need Not Increase to Account for His Equity in the Residence.

Having overruled the Trustee's Objection, the Court must point out that its decision will not affect the Debtor's Chapter 13 plan payments. As discussed above, claiming exemptions in a Chapter 13 case enables courts and creditors to determine how much the debtor must pay to satisfy the best-interest-of-creditors-test under § 1325(a)(4). Here, the Residence has been appraised at \$185,000. *See* Doc. 20. Subtracting \$127,288—the amount of the mortgage lien on the Residence—leaves \$57,712 in equity (not counting the judgment lien the Debtor seeks to avoid, *see* Doc. 27), which is comfortably within the Debtor's \$161,375 homestead exemption. Because the Debtor's equity in his Residence is fully exempt, the value of that equity would not be distributed to creditors in a Chapter 7 case. Thus, the Debtor's Chapter 13 plan satisfies § 1325(a)(4), and his Chapter 13 plan payments need not increase to account for his fully exempt equity in the Residence.

V. Conclusion

“[P]rophylactic objections [to exemptions] can slow down bankruptcies and waste judicial resources.” *Biondo v. Gold, Lange, Majoros & Smalarz, P.C. (In re Biondo)*, 59 F.4th 811, 816 (6th Cir. 2023) (citing *Schwab*). That is precisely what happens when a trustee objects to a claim of exemption even though, consistent with *Schwab* and Schedule C, the exemption is cabined by an applicable statutory limit. For these reasons, the Objection is **OVERRULED**.

IT IS SO ORDERED.

Copies to:

Michael Cox, Attorney for Debtor
Faye D. English, Chapter 13 Trustee