# WHAT ARE THE BANKRUPTCY EXEMPTIONS IN TEXAS?

## Automotive, livestock, unlimited homestead and other debtor options

### By [S.M. Oliva](https://www.superlawyers.com/articles/writer/sm-oliva/6f81a3f2035d3031ae59ced967fe5509.html) on December 3, 2018 Updated on May 19, 2020

Bankruptcy is designed to let debtors protect their property while affording them relief from creditors. In fact, Texas debtors who file for Chapter 7 or Chapter 13 bankruptcy may be able to keep most of their property away from creditors. The reason for this is Texas offers a generous set of bankruptcy exemptions.

“Texas is unique,” says [Dorothy K. Lawrence](https://profiles.superlawyers.com/texas/dripping-springs/lawyer/dorothy-k-lawrence/933359fb-50e2-4af8-b09d-196a927129ed.html), a bankruptcy attorney in Dripping Springs. “It’s an extremely debtor-friendly state. You can own a million-dollar home and, as long as it’s your homestead, you can keep it. You can drive $100,000 cars, as long as it’s one car per driver in a household. If you have money in the bank, they’re gonna get that, but your $75,000 Beemer you can keep.”

An exemption is just what it sounds like: It is property exempt from the claims of creditors. Exempt property also cannot be seized by a bankruptcy trustee in a liquidation (i.e., Chapter 7 filing). The federal Bankruptcy Code establishes a default set of exemptions. But individual states may create their own exemptions. In the case of Texas, residents are free to choose either the federal or state list of exemptions. However, it must be one or the other—if a debtor opts for the Texas state exemptions, he or she cannot cherry-pick individual exemptions off the federal list, and vice versa.

Since Texas is so debtor-friendly, Lawrence says most clients opt for the state list—especially if they’re a homeowner as opposed to a renter. In many states, if you have cash on-hand when you file bankruptcy, it’s irrelevant. In Texas, you have some planning options.

### ****The Texas Homestead Exemption****

Texas provides an unlimited deduction for both a debtor's homestead (primary residence) and one motor vehicle. In contrast, the federal exemptions only protect a certain amount of equity—no more than $26,374 in 2018—in a home or vehicle.

Now, while Texas allows a debtor to exempt an unlimited amount of equity in a homestead, there are acreage limitations. The exempt homestead cannot be used for more than 10 acres in an urban area, or 100 acres in a rural area. If a rural home is used for a family, as opposed to a single person, this acreage limit is doubled to 200 acres.

Again, the homestead is only exempt if it is used as the debtor's actual residence, as opposed to a rental property. However, if the property is sold, the debtor may continue to apply the homestead exemption to the sale proceeds for up to six months.

### ****Motor Vehicles & Other Personal Property****

One of the first questions Lawrence gets is, “Will I be able to keep my car?” So long as you don’t have multiple vehicles, the answer is yes. And even if you have multiple, you may be able to keep those, too.

“You can keep one for every licensed driver in the household,” she says.

This includes a 16 year-old who doesn’t yet have a car of their own, or the 85-year-old grandparent in the house who chooses not to drive anymore. And even if a household member is not a licensed driver, an exemption may still apply if that person “relies on another person to operate the vehicle” for them.

Keep in mind, when we talk about “equity” in a motor vehicle or home, that reflects the present market value less any money owed on a secured loan. So if you own a car that is worth $20,000, but there's an outstanding loan of $15,000 on the vehicle, then your equity is only $5,000.

In addition to a debtor's homestead and motor vehicles, Texas offers a wide range of additional “personal property” exemptions. Some of the more commonly used ones include:

* livestock, up to 12 head of cattle, 60 head of other types, 120 fowl, and two horses, mules, or donkeys (including their saddles, blankets and bridles)
* home furnishings or family heirlooms
* clothes actually used as “wearing apparel”
* jewelry
* two firearms
* tools used in a trade or profession

The total personal property exemptions may not exceed $100,000 for a family, or $50,000 for a single person. The jewelry exemption may also not exceed more than 25 percent of the applicable total exemption amount.

All of these rules may appear to be exploitable loopholes for someone to burn cash quickly, then declare bankruptcy, but Lawrence says that’s certainly not advisable. “Trustees are going to want to see your bank statements, and do a lookback of three to six months, so you don’t want to pull $40,000 out of the bank and pay for a car,” she says.

You likewise don’t want to sell your million-dollar home a few months after the bankruptcy. If you do, those proceeds have to go toward a new homestead or they’ll be considered not exempt by the trustee. If you have additional questions about how these exemptions work, you should contact [a qualified Texas bankruptcy lawyer](https://attorneys.superlawyers.com/bankruptcy/texas/) right away.

In general, the Texas rules are lenient on what you can own, but aren’t lenient enough for you to pull fast ones on your trustees. “There’s a reason celebrities move here,” Lawrence says. “You can be cash rich, put it into assets and, so long as you live here for a while, you can declare bankruptcy and still live an OK life.”