

When comparing bankruptcy exemptions in Virginia and Washington, DC, I cannot help but think of Charles Dickens' opening line in his novel, *A Tale of Two of Two Cities*, "It was the best of times, it was the worst of times..." as in, the best of times for Washington, DC and the worst of times for the Commonwealth.

In this tri-state area, one of the first questions a bankruptcy attorney will ask you is what state do you reside in. Why? Because it is always about location, location, location or more to the point, what state you live in. When filing for a chapter 7 bankruptcy, the difference between residing in Northern Virginia or just across the Potomac in Washington, DC can have a huge impact.

If you [qualify for a chapter 7 bankruptcy based on your income](#), then the next immediate consideration is whether you have any assets. If you do, and you cannot exempt a particular asset, then the bankruptcy trustee has the right to seize and liquidate that asset. For virtually all bankruptcy filers, their home (as in the equity in their home) is their biggest asset. If you have equity in your home, then allow me to demonstrate the differences between filing in Washington DC versus filing in Virginia.

The legislatures in the Nation's Capital decided that if an individual has resided in their primary home in Washington, DC for more than 1,212 days (3.3 years), then the individual is allowed to exempt the entire equity in their home. For example, if you have \$200,000 in equity in your home, then you may exempt the entire \$200,000 in equity. Meaning, the bankruptcy trustee may not force the sale of your home and will not walk away with the proceeds as a result of you filing for chapter 7 bankruptcy. You get to wipe out all of your unsecured debt while fully protecting your home. If however, you have resided in your home in Washington, DC for more than 2 years but less than 3.3 years, then you are limited to approximately \$140,000 in the amount of equity that you may exempt. Finally, if you have lived in your home in Washington, DC for less than 2 years, then unfortunately you will not be able to utilize the Washington, DC exemption laws; federal bankruptcy law requires that you reside in a state for at least 2 years before you can take advantage of the state's exemption scheme.

Now, in case you are thinking that Washington, DC's bankruptcy exemptions are the norm, I assure you, this is not the case. Washington, DC is among a handful of states that is extremely generous when it comes to home exemptions.

Unfortunately for Virginians, the state for lovers, the state's bankruptcy exemption laws do not show a whole lot of love. In fact, you could say that Virginia's bankruptcy exemption laws are darn right unfriendly to its residents. The stark difference between Virginia and Washington, DC is that Virginia does not have a primary residence exemption. All that Virginia has to offer individuals who reside in Virginia and who are filing for chapter 7 bankruptcy is the homestead exemption. Virginia's homestead exemption allows you to exempt a whopping \$5,000 in your home. If you are over the age of 65 or are disabled, Virginia generously increases that amount to \$10,000. So, what happens if you have \$200,000 in equity in your home in Virginia? You will have to file for a chapter 13 bankruptcy. Meaning, you will have to pay a large portion of your unsecured debt. There is one exception that could apply to [married couples](#).

So there it is – when it comes to filing for bankruptcy in Washington, DC versus Virginia, it is most certainly a tale of 2 very different cities!