

# In the United States Bankruptcy Court

## for the Northern District of Iowa

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JOHN C. WAGNER  
DEBRA K. WAGNER  
*Debtor(s).*

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Bankruptcy No. 99-02428-C

Chapter 13

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### ORDER

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This matter came before the undersigned on February 1, 2000 pursuant to assignment. Debtors John C. and Debra K. Wagner were represented by Attorney Thomas Fiegen. Chelsea Savings Bank was represented by H. Raymond Terpstra II. Carol Dunbar appeared as Chapter 13 Trustee. After presentation of evidence and argument, the Court took the matter under advisement. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(B), (L).

### FINDINGS OF FACT

Debtors filed their Chapter 13 petition on September 13, 1999. Hearing was held on confirmation of Debtors' Second Amended Chapter 13 Plan and Chelsea Saving Bank's Objection to Exemptions on February 1, 2000. Both the Trustee and Chelsea Savings Bank (the Bank) objected to confirmation, and Debtors agreed to amend their plan.

The Bank also objects to exemptions Debtors claim in both mechanic's tools and farm equipment under Iowa Code sections 627.6(10) and 627.6(11)(a). The Bank argues that these exemptions are mutually exclusive.

Debtor John C. Wagner works as both a mechanic and a farmer. Consequently, Debtors claim exemptions in mechanic's tools pursuant to Iowa Code sec. 627.6(10) in the amount of \$6,000. They also claim exemptions in farm equipment and machinery pursuant to sec. 627.6(11)(a) in the amount of \$4,000. The maximum allowable exemption under either section is \$10,000.

### IOWA'S GENERAL EXEMPTION STATUTE

Iowa has opted out of the Bankruptcy Code's statutory exemption scheme pursuant to 11 U.S.C. § 522 (b)(1). Iowa Code § 627.10 (1999). Therefore, with regard to debtors domiciled in Iowa, exemptions in bankruptcy are governed by Iowa law.

Iowa Code sec. 627.6, the Iowa general exemption statute, provides:

A debtor who is a resident of this state may hold exempt from execution the following property:

...

10. If the debtor is engaged in any profession or occupation other than farming, the proper implements, professional books, or tools of the trade of the debtor or a dependent of the debtor, not to exceed in value ten thousand dollars in the aggregate.

11. If the debtor is engaged in farming and does not exercise the delay of the enforceability of a deficiency judgment or general execution under section 654.6 in relation to the execution under which the exemption is claimed, any combination of the following, not to exceed a value of ten thousand dollars in the aggregate:

- a. Implements and equipment reasonably related to a normal farming operation. This exemption is in addition to a motor vehicle held exempt under subsection 9.

The statute itself does not speak to whether these two exemptions are mutually exclusive in the case of a debtor who is both a mechanic and a farmer.

### STATUTORY CONSTRUCTION OF EXEMPTION LAWS

A debtor having more than one occupation is not precluded from claiming exemptions designed to benefit each occupation. In In re McCormick, No. 83-00024, slip op. at 7 (Bankr. N.D. Iowa Dec. 31, 1985), the court allowed a debtor who farmed and practiced law to claim office furniture exempt as tools of the trade over a creditor's objection that the furniture was not a tool necessary to farming. The McCormick court held that "A debtor is not prohibited from engaging in a profession other than farming, and is not precluded from claiming exemptions in either occupation." Id.; See also In re Myers, 56 B.R. 423, 425 (Bankr. S.D. Iowa 1980) (holding that debtors' full-time jobs as teachers did not prevent them from claiming tools of the trade exemption in farm equipment where they were also engaged in farming).

Furthermore, mechanic's tools qualify as exempt as farm implements under sec. 627.6(11)(a). In In re Hahn, 5 B.R. 242, 245 (Bankr. S.D. Iowa 1980), a debtor who gave his occupation as "farming, trucking, custom bailing and combining, and school bus driver" claimed mechanic's and carpenter's tools as exempt under the farm implement exemption. The court noted that such tools are commonly used by farmers for maintenance of machinery and buildings and are reasonably related to a farming operation. Id. The fact that Debtor in the present case could have claimed his mechanic's tools as exempt under sec. 627.6(11)(a) mitigates against denying the exemption altogether.

Denying Debtors' exemption claims would violate the well-recognized principle that exemption laws must be liberally construed. See Kelly v. Degelau, 58 N.W.2d 374, 376 (Iowa 1953). Exemption statutes should be construed to serve their beneficial purposes, in favor of those claiming their benefits. Frudden Lumber Co. v. Clifton, 183 N.W.2d 201, 203 (Iowa 1971). However, liberal construction does not permit substantial departure from the express language of the statute. Wertz v. Hale, 234 N.W. 534, 535 (Iowa 1931). Liberal construction of exemption statutes does not allow a court to extend privileges not intended to be conferred by the Legislature. Farmers' Elevator & Live Stock Co. v. Satre, 195 N.W. 1011, 1011-12 (Iowa 1923).

Applying these principles, Debtors are able to claim exemptions from both sections. This construction serves the purposes of exemption legislation, which seeks to preserve a means of support for a debtor's family after bankruptcy. Shepard v. Findley, 214 N.W. 676, 678 (Iowa 1927). Allowing Debtors to claim both exemptions under the circumstances of this case would not amount to an extension of privileges beyond that intended by the Legislature. Debtor's aggregate exemptions under

these two sections are still less than the statutory cap of \$10,000 that exists for either section alone. Whether the same result is obtained, if the aggregate exceeds \$10,000, is not before the Court.

### **SUMMARY AND CONCLUSION**

Exemption laws serve the beneficial purpose of ensuring a means of support for a debtor's family after bankruptcy. Allowing Debtors to claim exemptions in tools necessary to both of Mr. Wagner's occupations as mechanic and farmer is in furtherance of this purpose.

Neither Iowa's general exemption statute or caselaw governing the subject suggests that a debtor must choose one and only one occupational category when claiming exemptions. Principles of liberal statutory construction in this area favor allowing Debtors to claim both exemptions, especially where the aggregate amount of the claims is less than the total allowable claim under either exemption alone. Under the circumstances of this case, allowing Debtors to claim exemptions under both sections 627.6(10) and 627.6(11)(a) would not extend the value of either exemption beyond that which was intended by the legislature.

**WHEREFORE**, The Bank's Objection to Exemptions is OVERRULED.

**FURTHER**, Debtors are entitled to claim exemptions in mechanic's tools under Iowa Code sec. 627.6(10) and farm equipment under sec. 627.6(11)(a), the combined value of both exemptions not to exceed \$10,000.

**SO ORDERED** this 16th day of February, 2000.

Paul J. Kilburg  
Chief Bankruptcy Judge