

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

TAYLOR v. FREELAND & KRONZ ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE
THIRD CIRCUIT

No. 91-571. Argued March 2, 1992—Decided April 21, 1992

On the schedule she filed pursuant to §522(*l*) of the Bankruptcy Code, debtor Davis listed as exempt property the expected proceeds from her pending employment discrimination suit. Petitioner Taylor, the trustee of Davis' bankruptcy estate, did not object to the claimed exemption within the 30-day period allowed by Bankruptcy Rule 4003(b). However, upon later learning that the discrimination suit had been settled for a substantial sum, Taylor filed a complaint in the Bankruptcy Court against respondents, Davis' attorneys in that suit, demanding that they turn over settlement proceeds as property of Davis' estate. Concluding that Davis had no statutory basis for claiming the proceeds as exempt, the court ordered respondents to "return" to Taylor a sum sufficient to pay off all of Davis' unpaid creditors, and the District Court affirmed. The Court of Appeals reversed, holding that the Bankruptcy Court had erred because Davis had claimed the money in question as exempt, and Taylor had failed to object to the claimed exemption in a timely manner.

Held: A trustee may not contest the validity of a claimed exemption after the Rule 4003(b) 30-day period has expired, even though the debtor had no colorable basis for claiming the exemption. Pp.3-8.

(a) Because the parties agree that Davis did not have a statutory right to exempt more than a small portion of the lawsuit proceeds, let alone the full amount, Taylor apparently could have made a valid objection under §522(*l*)—which provides, *inter alia*, that "property claimed as exempt . . . is exempt" "[u]nless a party in interest objects," but does not specify the time for objecting—if he had acted promptly under Rule 4003(b)—which establishes the 30-day objections period for trustees and creditors "unless, within such period, further

time is granted by the court." Pp.3-4.

(b)However, Taylor's failure to promptly object precludes him from challenging the validity of the exemption at this time, regardless of whether or not Davis had a colorable statutory basis for claiming it. By negative implication, Rule 4003(b) indicates that a trustee may not object after 30 days unless a further extension of time is granted. Because no such extension was allowed by the Bankruptcy Court in this case, §522(l) has made the settlement proceeds exempt. This Court rejects Taylor's argument that, in order to discourage debtors from claiming meritless exemptions merely in hopes that no one will object, a court may invalidate an exemption after expiration of the 30-day period where the debtor did not have a good-faith or reasonably disputable basis for claiming it. To the extent that the various Code and Rules provisions aimed at penalizing debtors and their attorneys for improper conduct fail to limit bad-faith exemption claims, Congress, rather than this Court, may rewrite §522(l) to include a good-faith requirement. Pp.4-6.

(c)Taylor's assertion that §105(a) of the Code permits courts to disallow exemptions not claimed in good faith despite the absence of timely objections to such exemptions will not be considered by this Court, since that argument was first raised in Taylor's opening brief on the merits and was neither raised nor resolved in the lower courts. Pp.6-7.

938 F.2d 420, affirmed.

THOMAS, J., delivered the opinion of the Court, in which REHNQUIST, C. J., and WHITE, BLACKMUN, O'CONNOR, SCALIA, KENNEDY, and SOUTER, JJ., joined. STEVENS, J., filed a dissenting opinion.