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Texas chapter 7 means test calculator

Upsolve is a nonprofit organization that offers free education and debt relief tools to help individuals get out of debt through bankruptcy filing. The organization provides a free tool similar to TurboTax for bankruptcy, as well as customer support and community resources. The means test, also known as the Chapter 7 means test, is an analysis used by Congress to determine eligibility for Chapter 7 bankruptcy based on monthly income and expenses. The purpose of the means test is to prevent individuals from abusing the bankruptcy system by filing cases even though they can afford to pay some debts. To file a Chapter 7 bankruptcy, an individual must undergo a two-step means test calculation. The first step compares gross household income to the median income for a household of a similar size in the same state. The median income is determined by the U.S. Census Bureau and is updated regularly. Individuals can find the most up-to-date information on the Office of the United States Trustee website. To calculate their average income, individuals must determine their gross income for the six full calendar months before filing bankruptcy. This time period does not include the month they file for bankruptcy. The means test calculation is crucial to ensure accurate results and prevent abuse of the system. Given article text here Looking forward to the meeting tomorrow, where we'll review and finalize our strategies for filing a Chapter 7 case in June 2023. First, ensure you're considering all sources of income from December 1, 2022, to May 31, 2023. Income fluctuations or bonuses may impact eligibility. Overtime can also impact your ability to file. Reviewing your income is crucial, especially for business owners sharing household expenses with roommates. Gross wages before taxes are included in the means test. Don't forget alimony, business income, unemployment, and Social Security income when calculating your total gross annual income. Once you have your gross annual income, use the UST's website to find the median family income for a household like yours in your state. This ensures you're looking at current numbers. Now, compare your calculated total household income to the chart on the UST's website. If your income is below the median, you're done. Otherwise, complete part two of the means test analysis to determine if Chapter 7 remains an option. This involves calculating disposable income, which is your income minus expenses. Expenses in the Means Test Analysis: A Complicated Process The Bankruptcy Code has specific rules regarding what expenses can be deducted in the means test analysis. When it comes to part two of this analysis, the types of allowed expenses fall into four categories. ### Categories for Deductible Expenses 1. **IRS-Standard Expenses**: These include: * Food * Clothing * Other items * Out-of-pocket healthcare expenses * Housing and utilities * Transportation You don't deduct your actual expenses for these categories, but rather the IRS standard amount set for that category. 2. **Secured Debt Payments**: If you're keeping a secured property, payments on it can be deducted as an expense. 3. **Actual Expenses**: You can increase some expense deductions if you can prove your actual, reasonable, necessary expenses are greater than the IRS local standards. 4. **Administrative Expenses**: These reduce the amount of money that would go to unsecured creditors in a Chapter 13 case. ### Eligibility for Bankruptcy If there's not enough money left over to pay at least 25% of your unsecured debts over a hypothetical five-year Chapter 13 plan, you're eligible for relief under Chapter 7. However, if you don't pass the means test, you won't be eligible for Chapter 7 bankruptcy. Instead, you can consider filing Chapter 13 bankruptcy, which requires repayment of a portion of your unsecured debts over a 3-5 year repayment plan. The U.S. government has a standardized form, called the means test, to determine if someone qualifies for Chapter 7 bankruptcy in Texas. This form calculates your average monthly income and compares it with other households in the state. If your household income exceeds the median, you may need to hire a bankruptcy attorney to find the right debt relief option for you. If you are below the median income, have no assets worth more than \$10,000, and want to file without your spouse, Upsolve can provide tools to prepare your bankruptcy forms and guide you through the process. To determine eligibility, you can use two forms: Statement of Exemption from Presumption of Abuse Under §707(b)(2) or Chapter 7 Means Test Calculation. These forms allow you to deduct allowable monthly expenses from your current monthly income (CMI) to calculate disposable income. You can deduct various expenses from your income, including health and disability insurance premiums, income taxes, child care costs, term life insurance premiums, mortgage and car payments, alimony and child support payments, and charitable donations (subject to a percentage of your income limit). Additionally, you can claim other expenses for unusual circumstances, but these have limits based on the number of people in your household. These expenses include household supplies, clothing, food, personal care services and products, housing and utility costs, transportation expenses, and out-of-pocket healthcare expenses. If you're unsure about anything, consider consulting a local bankruptcy attorney in Texas who can provide a free evaluation and guide you through the process. If you fail the bankruptcy means test, don't worry - you still have options. You could file for Chapter 13 bankruptcy or explore debt settlement or management alternatives. Chapter 13 bankruptcy is like a restructuring payment plan that allows you to pay back some of your unsecured debts over time while keeping your assets and not requiring qualification as long as you stay within the debt limits. However, if you fail the means test with Chapter 13, you'll need more disposable income to make monthly payments to the bankruptcy trustee. This may require significant monthly payments, making it harder for the court to grant you a Chapter 13 bankruptcy. Some people prefer Chapter 13 over Chapter 7 when they have more equity than allowed under Texas's bankruptcy exemption. Debt settlement is another option where you or a company negotiates with creditors to reduce your debt and forgive part of what you owe. This can be done through a payment plan that lasts anywhere from 12 to 60 months. However, debt settlement has some potential drawbacks - missing payments for creditors to negotiate may put you at risk of being sued and impact your credit score for up to seven years. Additionally, there is no legal protection if a creditor doesn't agree to the settlement terms. Negotiated payment plans can be risky, as creditors may sue if a settlement is not reached. The forgiven debt may be taxable and require reporting on tax returns. Debt management companies can negotiate lower interest rates, but options are limited. The program typically involves a payment plan lasting 36-60 months. Benefits include paying into principal rather than interest, but drawbacks include still owing the full amount. Chapter 7 Bankruptcy's Means Test: A Complex Formula Simplified The means test, an intricate part of Chapter 7 bankruptcy proceedings, can be a daunting concept for many individuals. To better understand how it works and gauge one's eligibility, utilizing a free online Chapter 7 means test calculator is advisable before consulting with a bankruptcy expert. This article aims to demystify the process, equipping readers with the knowledge necessary to make informed decisions about Chapter 7 bankruptcy qualification.