

Small Business & Bankruptcy: Arizona Bankruptcy Attorney

By Arizona Bankruptcy Attorney John Skiba

www.jacksonwhitelaw.com/arizona-bankruptcy

Many dream of the day when they can start their own business. Unfortunately for some once the dream finally happens it ends all too soon. I am seeing many businesses that were quite successful for a number of years who have not been able to outlast this bad economy. So this leads to the question, what happens to all of the debt incurred by the business after you close the doors?

If the debt is all owed by the corporation or the LLC, then you aren't going to have a problem. You can just shut the doors and walk away. Unfortunately for most (if not all) small business owners those company credit cards and lines of credit have personal guarantees attached that permit the creditor to go after you personally — putting your wages, bank accounts, and personal assets at risk.

The good news is that by filing a personal chapter 7 bankruptcy you can eliminate your personal liability on business debts. It is important to remember that while the bankruptcy will eliminate your liability, the business is still liable. So if the business is still operating or if it has assets, the creditors can still seek payment from the business, sue the business, and seize assets of the business.

As I have stated in prior blogs, the amendments to the bankruptcy code that occurred in 2005 now provide that you must qualify to file a chapter 7 bankruptcy. This is done by looking to your household size and your personal income and comparing it to the median income of a household of your size in your state. However, if 51% or more of your debts are business related, these qualifications go out the window and you can file a chapter 7 bankruptcy even if you make more than the average family of your size in Arizona.

Without bankruptcy laws there would likely be few entrepreneurs who would be willing to take the risk of opening a business if there were no possibility of walking away if it didn't work out. If you have started a business and have had to close it and have outstanding debt, you should meet with an Arizona bankruptcy attorney to discuss your options. Bankruptcy attorney John Skiba offers a free bankruptcy consultation where we can discuss your personal situation. I can be reached at (480) 464-1111.