

Bankruptcy & The Means Test

Median Income in Arizona Declines for Second Straight Year

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For the second straight year the median income for Arizonans has declined. What this means for those of you looking to file for bankruptcy is that less of you may qualify for a Chapter 7 bankruptcy filing. In order to file for Chapter 7 bankruptcy you must pass a means test. This means tests evaluates, at least in theory, your ability to repay your creditors. You are required to disclose your family size and your average monthly income for the six month period before your bankruptcy case is filed. If your income exceeds what the typical family of your size in Arizona makes, there is a good chance you will be filing a Chapter 13 bankruptcy instead of a Chapter 7 bankruptcy.

Here are the new numbers that went into effect on November 1, 2010:

<u>Family Size</u>	<u>Income (Annual/Monthly)</u>
1	\$41,915/\$3,492
2	\$54,510/\$4,542
3	\$58,696/4,891
4	\$66,030/\$5,502
5	\$73,530/\$6,127
6	\$81,030/\$6,752
7	\$88,530/\$7,377
8	\$96,030/\$8,002

For every other household member beyond eight you are permitted an additional \$7,500 per year. It is important to note that these numbers are gross income (before taxes).

So for example, if you have a family size of four, and you make less than \$66,030 you will qualify for a Chapter 7 bankruptcy. However, if you make more than that you will likely have to file a Chapter 13 bankruptcy. If you are only slightly above these numbers you are permitted certain deductions for things such as taxes and health insurance premiums that may get you under the numbers and allow you to go forward with a Chapter 7 bankruptcy case.

Attorney John Skiba offers a free consultation regarding bankruptcy where you can discuss the specifics of your situation. Mr. Skiba can be reached at (480) 559-8131 or via email at jskiba@jacksonwhitelaw.com.