



Chapter 7 Bankruptcy Do You Qualify? How is Eligibility Determined?

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In October 2010, six-time Grammy Award winner Toni Braxton filed for bankruptcy a second time. In her Chapter 7 bankruptcy petition, Braxton claimed debts of between \$10 million and \$50 million, which grew even worse when a heart condition -- diagnosed as microvascular angina -- forced her to cancel a series of Las Vegas shows in 2008.

The United States Trustee, after reviewing her petition, filed a document in Bankruptcy Court asserting that Braxton's filing is presumed to be an "abuse of the bankruptcy process" because she did not file paperwork showing the results of the required "means test".

In her filing for bankruptcy, Braxton says she has assets worth up to \$10 million. These assets, combined with

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tax liens or other financial problems, please send your e-mail today to

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many potential sources of income, cause the trustee to assert that Braxton should be forced to file a chapter 13 bankruptcy, which requires her to set up a plan to repay her creditors.

Braxton's lawyers state that Braxton is exempt from the means test because the majority of her Chapter 7 debt is business debt. They hope to clear up the matter so the bankruptcy trustee agrees that the bulk of Braxton's debts are business related, which means her filing for Chapter 7 bankruptcy is not an abuse of the bankruptcy process.

To be eligible to file a Chapter 7 bankruptcy, you must meet several criteria. First, you must measure your "current monthly income" against the median income for a family of your size in your state. Your "current monthly income" is your current monthly income over the past six months before you file for bankruptcy. If your income is less than the median income, then you can file for Chapter 7 bankruptcy.

If your income is greater than the median, then you must pass the means test before you can file for Chapter 7 bankruptcy. The purpose of the means test is to determine whether you have enough disposable income to repay at least part of your unsecured debts over a five-year repayment period.

In addition, you cannot file for Chapter 7 bankruptcy if you discharged your debts in another Chapter 7 case within the past eight years, or in a Chapter 13 case within the past six years. Further, the court will not allow you to file Chapter 7 if it believes you are trying to cheat your creditors.

Free Pass: Under the new bankruptcy law, if your debts come primarily from running a business, you get a free pass to Chapter 7 bankruptcy, without meeting other requirements. Toni Braxton is relying on this free-pass provision because her debts are business related. In addition, the free pass is also available to disabled veterans whose debts were incurred during active duty.

Like Toni Braxton, many Americans find themselves faced with bankruptcy due to business debt, personal debt, credit card debt, unpaid taxes or mounting mortgage payments. To find out more about Chapter 7 bankruptcy, Chapter 13 bankruptcy and eligibility for free pass to Chapter 7 bankruptcy, call Chicago money lawyer Rich Fonfrias.

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