

California Bankruptcy Law and what it might mean for you



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You just negotiated a \$10,000 debt down to \$2,000. Isn't that great? Well, maybe not. Here's the short version of a possible outcome.

1. That creates an \$8,000 taxable event, which means that you have \$8,000 additional taxable income.
2. You've just spent \$2,000, you still have bad credit (actually, worse), and you still owe everything else including the additional income tax.

The moral of this story? Think very carefully before you start to negotiate debts with creditors. It might not be in your best interests to do so.

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