



When Congress passed the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) in 2005, they created a new monster called the means test. The idea for the means test was to force more people into a [Chapter 13](#), a debt repayment program. The means test is difficult for more people to understand, and it baffles lawyers sometimes. The purpose of this article is to explain what the means test does and how it is calculated.

The first thing to look at for the means test is your average household income (we have to look at your spouse's income, even if that spouse is not filing with you) for the last six months. Then we compare it to Michigan's median income, which is based on family size. The current median income for a family of three in Michigan is \$61,517. These numbers are compiled by the Census Bureau and issued by the U.S. Trustee. If your income is less than the median income for your size family, you pass the means test so to speak. That means there is no presumption of abuse in filing your [Chapter 7](#). It gets trickier when your median income is larger than the applicable family size.

If your income is greater than the applicable family income in Michigan, then you must take your income, less expenses, then multiply that number by 60. This will be the amount of income available to pay your creditors over a 5-year period. If the amount available is \$10,950 or more (or \$182.50/month), you will be required to file a Chapter 13 and cannot file a Chapter 7.

So what happens if the amount of income is less than \$182.50 per month? Chapter 7 may be an option, but an additional analysis must be completed. We must look at the amount of debt you have, and see if your available income over a 5-year period is 25% of your debt (remember, Congress came up with this. Did you think it would be easy?).

For example, let's say your available income is \$130.00 per month and you have \$25,000 in debt. We take the \$25,000 and multiply by 25%, which is \$6,250. If we multiply \$130.00 by 60 months, which becomes \$7,800. You can see that \$7,800 is greater than \$6,250. That means your available income over a 5-year period is greater than 25% of your debt load, so you will be denied a Chapter 7 and your only option is to file a Chapter 13.

Some other things I need to mention about the means test. When we subtract your expenses from your income, we do not use your actual, documented living expenses. Nope! We are required to use the IRS standards used to collect taxes, which are based on the living standards in your State and County. You

read that right (again, this is Congress), we cannot use your actual living expenses. So, on paper it may show that you have \$130.00 per month in "excess income" but in reality you have a negative \$130.00 at the end of each month, you will be forced into a Chapter 13. That's the law.

Do not try to navigate the Means Test on your own. I have seen many people sitting in their ["341" meetings](#) who tried to file their own bankruptcy to save money, only to find the [Trustee](#) beating them up in front of everybody and then dismissing their case. It's not fun and it's not pretty. So call your [Detroit Bankruptcy Lawyers](#) at (586) 439-4297, Extension 0, and set up your FREE CONSULTATION. Let us navigate the means test for you and do it right, so you can get rid of your debt and get a fresh financial start in life.