

Arizona Bankruptcy and Tax Refunds

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With [Tax season](#) upon us, the question on the minds of potential bankruptcy filers is, “How do we keep our tax refund after filing?” Some people opt to spend their tax refund outright. The problem with this strategy is that when a person or couple files for [chapter 7](#) or [chapter 13](#), their possessions are absorbed into the trust estate to pay for their debts. Frankly, it doesn’t make sense to make a purchase today only to have it taken away tomorrow. A word of caution: if you spend your tax refund on luxury items or vacations, pay off a credit card or other unsecured debt, or use it to repay a friend or family member, you may trigger an objection from the trustee, and you will be required to surrender your tax refund, even if you have already spent the money.

Others may attempt to file their taxes after filing bankruptcy, mistakenly thinking that if the tax returns are filed after bankruptcy, they don’t need to be included in the [bankruptcy petition](#). This also becomes a problem because the money from a tax return will count as income in the estate and will be taken once again. Bankruptcy trustees are aware when debtors are owed a refund and will require debtors to surrender it. Tax refunds need to be listed on the petition like any other cash or bank account since your money will be held by the government until you claim it.

Some people simply take their tax refund and pay down their debts only to find they are still in a situation where they file bankruptcy. This is just throwing away their refund and prolonging their bankruptcy process.

Sometimes the best solution is to use your tax refund to initiate your bankruptcy claim. We understand that deciding to file for bankruptcy is a difficult decision, and includes how your taxes are impacted.

If you are facing the possibility of bankruptcy, we recommend that you schedule a free consultation with an [experienced Arizona bankruptcy attorney](#) to go over your options and get a clear picture of your particular situation.



Benjamin Skinner is a bankruptcy and real estate attorney and senior associate at JacksonWhite. He focuses his practice on bankruptcy law, assisting individuals in financial distress. Benjamin also practices in the areas of residential and commercial real estate law. He has been practicing for over ten years and has handled thousands of bankruptcy and real estate cases. He is a member of the State Bar of Arizona and the Maricopa County Bar Association. Benjamin is a member of the American Bankruptcy Institute (ABI) and the National Association of Consumer Bankruptcy Attorneys (NACBA). To read more about what former clients are saying about hiring Mr. Skinner or to set up a free consultation, please visit <http://www.jacksonwhitelaw.com/arizona-bankruptcy/>.

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