

I is for Income: Qualifying for Chapter 7 Bankruptcy in Arizona

By John Skiba, Esq.

www.skibalaw.com



One of the first questions I get when I meet with people is if they will qualify for a chapter 7 bankruptcy. If you have been researching bankruptcy you have likely learned that in order to file for [chapter 7 bankruptcy](#) you have to meet certain income requirements. Specifically, you cannot make more than the median income for a household of your size. For example, in Arizona if you have a household size of 4 your gross income (before taxes) cannot be more than \$61,267 a year or \$5,106 a month.

So how do we calculate your income? The bankruptcy code requires that we take an average of the last six months, not including the month that your case was filed in. This means if you are filing your bankruptcy case in March, then we must look back at your total income for the months of February back to September and take the average. This leads to the next question, what is considered income for bankruptcy purposes?

Included Income

- **Wages:** any money you receive from employment of any kind will be included in the calculations.
- **Gross Business Income:** if you run your own business the gross income you receive from this business will be included (we will also account for your business expenses).

- **Rent:** if you have a rental property the income you receive from that property will be part of the calculations (we will also be able to deduct any mortgage payment).
- **Family Support:** if your family has been supporting you consistently over a period of time that income will be included.
- **Retirement or Pension Income:** If you receive retirement or a pension during retirement those funds will be included.
- **Disability Payments:** any disability income will also be included.

Not Included in Income

- **Social Security Payments:** any funds received from the Social Security Administration will not be included in the means test calculations.
- **Unemployment Payments:** if you are receiving unemployment these will not be included in the determination of whether you qualify for a chapter 7 bankruptcy.

If you are looking to file a [chapter 7 bankruptcy](#) and worry that your income is over the median for your family size, it is good to meet with a bankruptcy lawyer to fully evaluate your situation. There are numerous deductions that can be made to help you qualify and even a few exceptions where the means test may not even apply to your case.

Image Credit: [Leo Reynolds](#)

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