
Converting a chp13 to chp7

Posted by Jackie - 2009/11/02 21:49

I have a client that has significant IRS debts in the tune of about \$288,000. This IRS debt is fairly recent, say within the past 12 months. My client doesnt want to enter into a chp 13, but would consider a chp 7 but doesnt qualify for it. So, how does he go about applying for a chp 13 and then converting it into a chp 7 later? Also, what happens if the client enters into a chp 13 but has no income to pay the taxes? What are people doing in that situation?

=====

Re:Converting a chp13 to chp7

Posted by norton - 2009/11/04 22:50

if your client doesnt have the ability to pay then you wont be able to get an installment agreement and the money will be due immediately or within a short term. The bankruptcy trustee will not permit a long term payment plan if the applicant doesnt have any money. One thing you can do is delay the payment to the IRS and help your client qualify for a chp 7. If you can delay the payment and get your client to qualify for a chp 7 then you might be able to wipe away the IRS debt. Or just try an offer in compromise with the IRS.

=====

Re:Converting a chp13 to chp7

Posted by Jacob - 2009/11/09 21:04

If the client's debt is over \$300k then you cant file a chapter 13. And if the debt is less than 2 years old or 3yrs from the date of filing a tax return then you cant discharge that either. So, the best advice is to negotiate with the IRS a settlement or like Norton said, just delay them as they will likely not get much anyway. If your client can borrow money, he might be able to negotiate an offer in compromise with the IRS. Otherwise they will just hound him even though he doesnt have the ability to make monthly installment payments.

=====

Re:Converting a chp13 to chp7

Posted by Targus - 2009/11/11 21:23

Actually, the bankruptcy rules regarding elimination of tax debt are as follows:

1. The taxes were first filed more than three years ago
2. A tax return was filed
3. The return was not fraudulent
4. taxes were not assessed in the last 240 days

If all these factors are present, your taxes may be able to be discharged in a Chapter 7 bankruptcy.

=====

Re:Converting a chp13 to chp7

Posted by Samantha - 2009/11/24 22:09

This thread was hard to follow. The initial question was how to convert a chapter 13 bankruptcy to a chp 7.

If the conversion is the goal, then you will need to make sure the applicant's eligibility is met. The only requirement for converting a bankruptcy from a Chapter 13 to a Chapter 7 is that the case has not previously been converted. If it has, it is not possible to convert the case to a Chapter 7.

You will also need to complete a new Means Test form. The Means Test is how the court decides if a debtor is eligible to file for Chapter 7 bankruptcy. The attorney will use the debtor's information on such items as income, debts and expenses to determine if the Means Test is met. You will also need to file a Notice of Conversion with the bankruptcy court before a Chapter 13 bankruptcy can be converted to a Chapter 7.

=====

Re:Converting a chp13 to chp7

Posted by aaron - 2009/11/29 22:03

I found this thread by doing a google search. I have posted on other forums but i didnt get my question answered. I filed for a chapter 7 2 months ago and was told that i didnt qualify. I recently found a job paying less and I would like to resign from my current position and take the lower paying job so that i can file for a 7. If i return to the higher paying job shortly after will the bankruptcy court find out?

=====

Re:Converting a chp13 to chp7

Posted by Samantha - 2009/12/01 20:21

If the bankruptcy court finds out that you artificially took a pay cut then they make hold you on contempt of the bankruptcy. It the decrease in pay occurs outside your control then i would not worry about it.

=====