

BANKRUPTCY IN PLAIN ENGLISH

TUESDAY, OCTOBER 20, 2009

How different debts are treated in Bankruptcy

Debts Dischargeable in Chapter 7

- Personal loans -- such as money borrowed from friends
- Credit cards
- Repossession deficiencies
- Auto accident claims
- Health care bills
- Judgments
- Debts from a Business
- Leases
- Guaranties
- Negligence claims
- Tax penalties over 3 years old
- Non priority taxes

Possibly Dischargeable in Chapter 7

- Willful and malicious injuries to others
- Embezzlement
- Fraud or dishonesty
- Debts arising from breach of fiduciary duty

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Need Chapter 13 for:

- Luxury purchases on credit within 90 days of filing
- Cash advances of over \$750 within 70 days of the filing date
- Debts for loans taken out against retirement accounts
- Trust fund taxes
- Child or spousal support
- Fines, penalties, restitution
- Accident suits involving intoxication
- Debts not listed -- see below
- Penalties payable to the government other than tax penalties
- Student loans
- Debts in prior bankruptcy and debtor was denied a discharge
- Taxes for years where return was unfiled or filed for less than 2 years
- Taxes for which no return has been filed
- Taxes first due within three years of the bankruptcy
- Taxes assessed within 240 days (8 months) of the bankruptcy filing. "Assessed" means you did not file a return, so the IRS computed how much they think you owe.