

Bankruptcy, Taxes, and Your Credit Card Debt

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Bankruptcy is often the result of an individual having an overwhelming amount of credit card debt. Credit card debt is unsecured debt which is generally dischargeable. Many states and even the federal government may allow taxpayers to pay their taxes by using a credit card. The majority of taxes are not dischargeable in a bankruptcy case, but will the taxes be discharged if they were paid by credit card? The short answer is “no.”

Section 523 of the Bankruptcy Code provides that money obtained by fraud is not eligible for discharge. The courts consider it an act of fraud for a debtor to incur debt with no intent to pay it. Therefore, if you pay your taxes with a card knowing you will be filing a bankruptcy case, it may be considered fraudulent behavior. The bankruptcy court will, at a minimum, require you to pay the amount due for your taxes.

In Chapter 7 cases, a debtor is not allowed to eliminate debts incurred to pay taxes that would otherwise not be eliminated if you still owed them when you filed. In a Chapter 13 case, you may be allowed to eliminate them. Thus, if the tax would not have been discharged in the Chapter 7 case, then the credit card debt used to pay it wouldn't be either.

While most credit card lenders will file an objection if a debtor attempts to discharge taxes paid by the card, the debt may be non-dischargeable even if the creditor doesn't object. Additionally, if the tax debt is not discharged, the credit card lender may be allowed to pursue collection activity against the debtor when the bankruptcy case is closed.

If you have paid your taxes with a credit card and you are considering filing a bankruptcy case, be sure to discuss this issue with your attorney.

Call Fresno bankruptcy attorney [Jerry R. Lowe](#) at [\(559\)513-8535](tel:5595138535) if you are considering filing a bankruptcy case. Mr. Lowe practices throughout California's Central Valley in communities such as Fresno, Clovis, Reedley, Sanger, Selma, Madera, Chowchilla, Oakhurst, Coarsegold, Auberry, Prather, Coalinga, Avenal, Corcoran, Hanford, Lemoore, Tulare and Visalia. He is experienced in Chapter 7 and Chapter 13 bankruptcy issues and is prepared to answer any questions you may have regarding your filing.