

J is for Job: How Your Job Impacts Your Bankruptcy

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As we all have struggled through this Great Recession the biggest change for a lot of people is the loss of a job or a significant change in their job resulting in a reduction of income. Many employers had to either reduce their overhead by reducing pay or simply letting people go. These types of changes often lead people to my office to discuss the possibility of bankruptcy. Despite appearances it is my experience that most are living pay-check to pay-check and the loss of a job or something like a [wage garnishment](#) is devastating.

While the loss of a job may lead you to bankruptcy, what happens down the road after you have filed bankruptcy and now have a job or even a better paying job? The answer to this question depends on what chapter of bankruptcy you filed.

Jobs and Chapter 7 Bankruptcy

In a [chapter 7 bankruptcy](#) your job and the income it provides is most relevant in the 6 months before your bankruptcy is filed. This is because you must [pass a means test](#) to qualify for a chapter 7 filing. In calculating your income we look to all income you have received from your employment in the six months before your filing. This does not include the month that your bankruptcy is filed. So for instance, if you were filing your bankruptcy in April, we would have to look at your income in the months of March 31st back to October 1 of the preceding year.

Generally, once your chapter 7 case is filed the bankruptcy court is not focused on your income, so a job loss or job change after the filing of your bankruptcy case is not relevant to your case.

Jobs and Chapter 13 Bankruptcy

[Chapter 13 bankruptcy](#) is quite a bit different from a chapter 7 filing. Income is a requirement to be able to file a chapter 13 case. If you don't have a job or income from some source you won't be able to file a chapter 13 bankruptcy. In Chapter 13 all of your income you receive after your filing is part of what is known as your bankruptcy estate. The typical chapter 13 bankruptcy lasts anywhere from 3 to 5 years. During this period all of your disposable income must be paid over to your creditors. When calculating your

disposable income we look to what your average monthly income is and then subtract all of your monthly expenses. Whatever is leftover is what you must pay your creditors.

If your job changes over the life of your chapter 13 bankruptcy so will the amount you are required to pay your creditors, whether that amount is more or less.

If you are needing to file for bankruptcy and are unsure what chapter will be most appropriate review your income over the last 6 months and be prepared to discuss that with your bankruptcy attorney. Accurate pay records will allow your bankruptcy lawyer to give you an accurate assessment of what chapter you qualify for and in a chapter 13 what your payment will be.

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1. [How Losing Your Job Impacts Your Chapter 7 Bankruptcy](#)