



# Debtors' Prism

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## **BANKRUPTCY CAN ELIMINATE TAX DEBTS!**

Most bankruptcy filers will continue to owe tax debts at the end of a Chapter 7 bankruptcy. However, it is possible to discharge debts for State and Federal income taxes in a Chapter 7 (and in a Chapter 13 plan) if each of the following conditions is met: the taxes are income taxes (no payroll taxes, fraud penalties, etc.); the filer did not file a fraudulent tax return or otherwise willfully attempted to evade paying taxes; the debt is at least three years old; a tax return for the debt, which a filer is seeking to discharge, was filed at least two years before filing for bankruptcy; and the taxing authority must have assessed the income tax debt at least 240 days

before the bankruptcy petition is filed. These conditions are often met, and, in this case, taxes are dischargeable.

Discharging tax debt is tricky. At Keith, Winters & Wenning, we have vast experience in this area and we can advise a potential filer accordingly. Please feel free to call for a free and confidential appointment. *Quality representation for any legal issue.*

**HINT:** If a bankruptcy filer's taxes qualify for discharge in a Chapter 7 bankruptcy case, the bankruptcy may not wipe out prior recorded tax liens unless a motion is filed to void the underlying judgments.

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