THE GINSBURG LAW INSIDER

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TAX REFUNDS AND BANKRUPTCY: WHAT CONSUMERS NEED TO KNOW THIS TAX SEASON

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1. Will my tax refund be affected if I file bankruptcy?

In Chapter 7, tax refunds may be considered an asset if they relate to income earned before filing. Even if you receive the refund after filing, the trustee may still claim the portion tied to pre-bankruptcy income. Timing matters. Filing before or after receiving your refund can affect whether you keep it. Some exemptions may protect part of the refund, but planning ahead is important.

OUR TOP INSIDER TIP: *The timing of your bankruptcy filing can determine whether you keep your tax refund. Because refunds are often considered an asset, filing before or after receiving it may change how much you are allowed to keep. With proper planning, exemptions may protect some—or even all—of the refund, so it's important to understand your options before filing.*

2. Can I keep my tax refund in Chapter 13?

In Chapter 13, tax refunds during the repayment period may need to be turned over to the trustee. Some repayment plans allow debtors to keep a portion of refunds for necessary expenses. Courts handle refunds differently, so understanding your plan terms is important before filing.

3. Should I spend my tax refund before filing bankruptcy?

Using a refund for necessary expenses like rent, utilities, food, or medical bills may be appropriate. However, spending money on luxury purchases or transferring funds to others before filing can create problems. Trustees review financial transactions before bankruptcy, so how you use your refund matters.

4. When should I talk to a bankruptcy attorney?

If you are expecting a tax refund and struggling with debt, it is best to speak with an attorney before filing bankruptcy or spending the funds. Proper planning can help protect assets and avoid complications in your case. A short consultation can help you understand your options and make informed decisions about your refund and your financial future.

Read More: https://ginsburglawgroup.com/bankruptcy-timing-and-taxes/

LEGAL PLAN UPDATE

Not sure if we work with your legal plan? Check HERE.

FEATURED WEBSITE RESOURCE

The Benefits of a Trust - And a Hidden Legal Plan Benefit

Trusts are often associated with the wealthy, but they can benefit many families. A properly structured trust can help assets pass to loved ones without going through probate, which can save time, reduce costs, and provide privacy. Trusts can also help manage assets for minor children, provide instructions for how money should be used, and ensure smoother management of property if someone becomes incapacitated.

Did You Know? Many employer-sponsored legal plans—such as ARAG or MetLife Legal Plans—may cover the preparation of estate planning documents, including wills, powers of attorney, and sometimes trusts. If you have a legal plan through work, you may already have access to these services at little or no additional cost.

Featured Resource: Debt Defense Tools

Facing a debt collection lawsuit can feel overwhelming, especially if you are unsure what the paperwork means or what happens next. To help consumers better understand the process, our website includes a growing library of Debt Defense Resources designed to make the legal system easier to navigate.

Visitors can access state-specific practice resources, explanations of the debt collection lawsuit process, and plain-language guides to common legal terminology. We also provide links to court docket systems, allowing you to look up cases and track what is happening in court.

Understanding your rights is the first step toward protecting them. If you are dealing with a collection lawsuit or creditor dispute, our resources are designed to help you better understand your options and what steps may come next.

Learn more at www.ginsburglawgroup.com. Once on our website, select the "Practice Areas" drop-down menu at the top of the page and click on "Debt Defense." There you will find a wide range of helpful resources designed to guide you through the debt collection process.

NOW STREAMING: OUR NEW PODCAST

We're excited to introduce our new podcast, Lounging with Lawyers, where we discuss real-world consumer issues and break down legal topics that affect your finances and rights. From debt collection and credit reporting to common scams and consumer protection laws, each episode offers practical information you can actually use. Check out the latest episodes and start listening today. We post weekly on our TikTok and Consumer Bar blog.

More Ways to Stay Informed

Follow us on our website, Facebook, LinkedIn, TikTok or visit the Consumer Bar (our blog) - and follow our blog on Facebook too.

Receiving calls from debt collectors?

It can be stressful, but consumers have important protections under federal law. The Fair Debt Collection Practices Act (FDCPA) limits what debt collectors can do when trying to collect a debt. For example, collectors generally cannot call repeatedly to harass you, use threatening or abusive language, or call at unreasonable hours (typically before 8 a.m. or after 9 p.m.). You also have the right to request written verification of the debt and to dispute it if you believe it is incorrect. If a collector violates these rules, you may have legal rights. Understanding these protections can help you respond confidently and avoid being pressured into paying something you may not owe.

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