
Bankruptcy and Taxes

Provisors Presentation

March 11, 2026

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Trusts & Bankruptcy

About Myself

- Attorney in Glendale focused on bankruptcy and trusts.
- Teacher at GCC and CSUN
- Moody husband and jolly dad for two kids.
- Bankruptcy practice focused on individuals in Chapter 7 and 13 and small businesses that need to close.
- Family estate planning practice focused on families needing basic estate plans set up for low cost fee.
- Other stuff: magician, coffee snob, racquetball player.

Disclaimer: This is educational materials. This is attorney advertisement. I am not your lawyer.

What is Bankruptcy?

- Court process to eliminate *most* debts and get a fresh start.
 - **Chapter 7** takes 90 days to finish. Those with limited assets:
 - 1 house / “low income” (HH1: \$85k, HH2: \$95k, HH3: \$110k, HH4: \$125k)
 - **Chapter 13** takes 3 to 5 years. For those that have too much assets or too much income.
 - Repay small percentage of debts over time (estimate 5% repayment and 95% discharged) and get to keep everything. Not bad!
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What Debts Don't Go Away?

All Debts Go Away Except:

1. Secured debts stay (home loan, HELOC, car loan, etc.)
 2. Most student loans
 3. Government penalties and fees (traffic tickets, etc)
 4. Debts based on fraud (lied on application? Cheated client or business partner?)
 5. *Some Taxes* (which means other taxes can go away)
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Different Types of Taxes

- Payroll Taxes - not dischargeable
 - Sales Taxes - sometimes dischargeable
 - Income Taxes - dischargeable if you qualify
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Older Income Taxes Are Dischargeable (“3-2-240”)

You can discharge taxes if they meet 3-2-240 rule.

- Taxes are more than 3 years ago (count from date when return due) from date of bk filing
 - Taxes filed more than 2 years ago from date of bk filing.
 - Taxes assessed more than 240 days from date of bk filing.
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AUTOMATIC STAY and TAX COLLECTION

Automatic stay stops collection action including IRS:

- Levies / Garnishments / Collection Lawsuits / Asset seizures

Automatic stay does not apply to:

- Audits
 - Issue deficiency notices
 - Assess tax debt
 - Demand tax returns
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Older Income Taxes Are Dischargeable (“3-2-240”)

For taxes that do not qualify for discharge, you can repay them in a Chapter 11 or 13 with small interest rate over 60 months.

For example: income tax from 2023 to 2025 of \$18,000 can be repaid at \$315/month. Not bad.

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Thank you for having me!

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