



Wolters Kluwer  
Law & Business

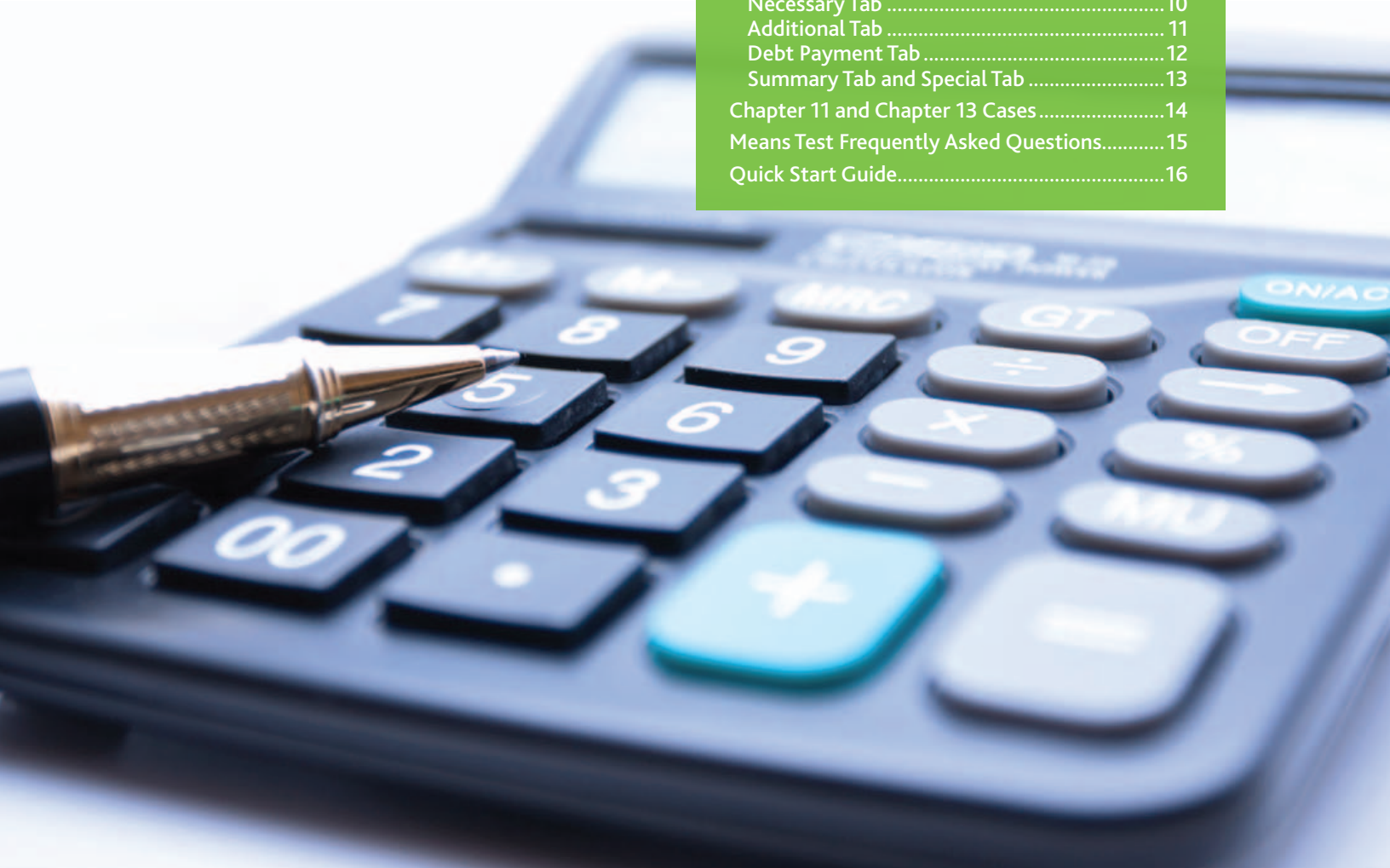
## BEST CASE® BANKRUPTCY

### Means Test Guide

This practical guide provides detailed instructions for using the Best Case Means Test Calculator. Cut through the complexity of Form 22 with step-by-step instructions, helpful screenshots, charts, tips and frequently asked questions that simplify the process.

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# Overview: Taking the Mystery Out of Means Testing

## The Means Test

Implemented by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, the means test is a required form and set of calculations that determines whether a presumption of abuse exists for a Chapter 7 debtor in a consumer bankruptcy case. The Means Test, also known as Form 22A, is a disposable income formula that measures a debtor's income against a set of monthly allowances, expenses and debt payments.

## The Official Form

There are three different forms and means test calculations, based on the chapter of bankruptcy:

**Chapter 7:** Form 22A, Statement of Current Monthly Income and Means Test Calculation

**Chapter 11:** Form 22B, Statement of Current Monthly Income

**Chapter 13:** Form 22C, Statement of Current Monthly Income and Calculation of Commitment Period and Disposable Income

Best Case® Bankruptcy helps you simplify the calculations and minimize errors by providing:

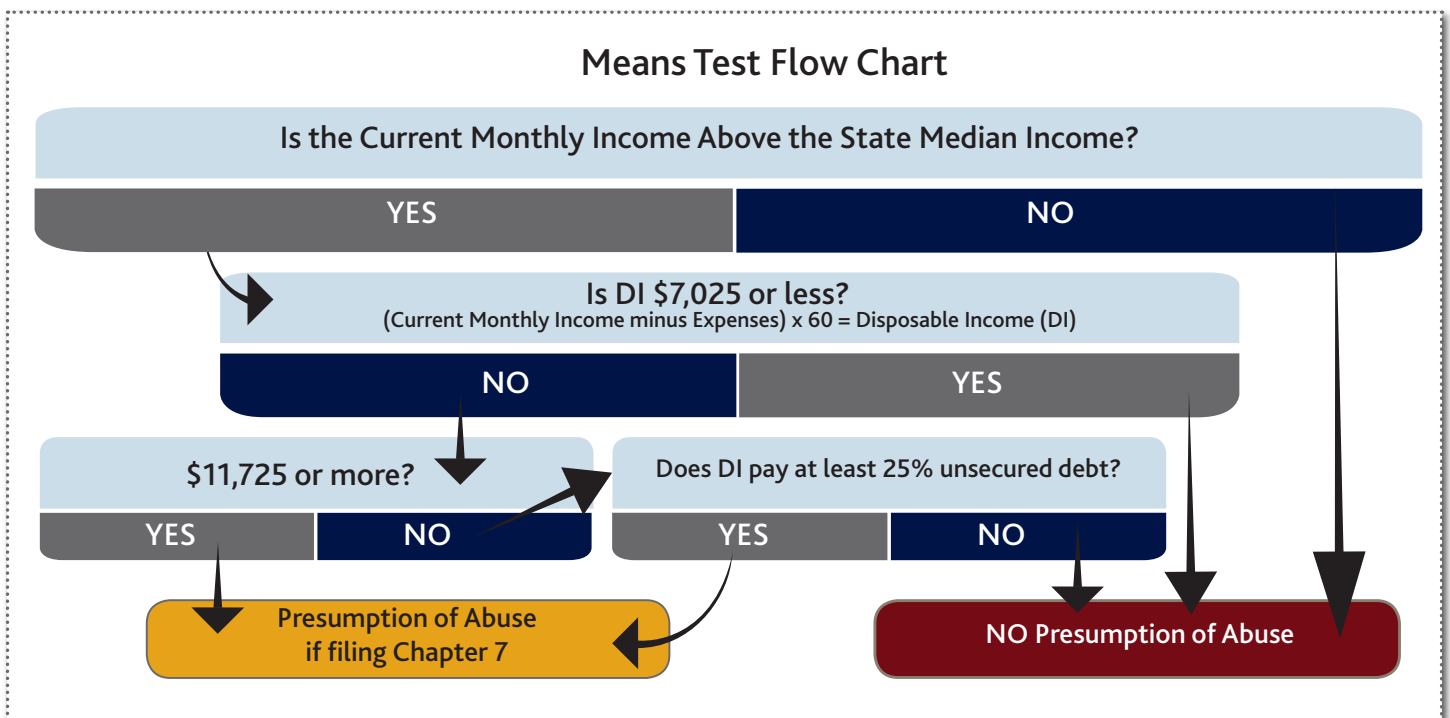
- A comprehensive calculator with easy on-screen instructions and tabs for each category
- Charts with Census Bureau Income Data for all states and household sizes
- Tables with the most up-to-date National and Local IRS Allowances
- A running tally of the debtor's income, expenses and disposable income
- The figure the debtor needs to meet the test
- A "Wait to File" button that reveals the debtor's results if he waits to file for bankruptcy
- And much more

## The Median Income Test

The first portion of the Means Test compares the debtor's Current Monthly Income (CMI, an average of the last six months, excluding Social Security benefits) to the state median income. If the debtor's income is less than the median for the debtor's household size, the full Means Test does not apply, and there is no presumption of abuse.

## The Complete Means Test

If the debtor's income is higher than the state median, the debtor must complete the full Means Test. The Disposable Monthly Income (DMI) is then calculated and is based on allowances and actual expenses (see page 3) which are subtracted from a debtor's current monthly income.



**Means Test Flow Chart:** This is a visual representation of the various stages and calculations of a Chapter 7 Means Test.

## Key Word Reference Chart

This chart guides you through the test, identifying where certain items are referenced in the instructions on Form 22A.

*Note: These are NOT DIRECTIONS. This is simply a list of where items are listed on the form.*

401(k)	Line 26	IRS Standards	
Charitable Contributions	Line 40	– Living (Food, Clothing and Other Items)	Lines 19A, 39
Childcare	Line 30	– Health care	Line 19B
Debts, Business	Line 1B	– Housing	Lines 20A, 20B, 21
Debts, Consumer	Line 1B	– Transportation	Lines 22A, 22B, 23, 24, 37
Debts, Non-Priority	Line 53	Life Insurance	Line 27
Debts, Priority	Line 44	Priority Claims	Line 44
Debts, Secured	Lines 20B, 23, 24, 42, 43	Pension	Line 7
Debts, Unsecured	Line 53	Real Estate Taxes	Line 44
Deductions, Payroll	Line 26	Sales Taxes	Line 25
Education	Line 29, 30, 38	Secured Claims	Lines 20B, 23, 24, 42, 43
Health	Lines 19B, 31, 34	Social Security	Lines 9, 10, 25
Health Savings Account (HSA)	Lines 31, 34	Taxes	Line 25
Income	Lines 3 to 11	Transportation	Lines 22A, 22B, 23, 24
Income (for a business)	Line 4	Unemployment	Line 9
Income Tax	Line 25	Unsecured Claims	Line 53
Insurance	Lines 27, 31, 34, 42	Utilities	Lines 20, 37

## The Expenses

The Means Test Calculator is organized by Tabs that incorporate the following expenses:

**Living Tab:** Applies one IRS Allowance for clothing, food, housekeeping, personal care etc.

**Health Tab:** Applies IRS Allowances for health care based on age and debtor's actual expenses.

**Housing and Transportation Tabs:** Applies the IRS Allowances and then subtracts any secured payments.

**Necessary Tab:** Requires a debtor's actual monthly expenses.

**Additional Tab:** Requires a debtor's actual monthly expenses for certain items, some of which have maximum amounts.

**Debt Payment Tab:** Requires 1) the secured payments contractually due in the next 60 months, 2) past due amounts on claims secured by property divided by 60, and 3) priority claims divided by 60. Schedule D and E offer a Means Test Treatment Tab, which allows you to specify payments and calculate a 60 month average.

After these monthly allowances, payments and expenses are deducted, the Disposable Monthly Income (DMI) is established. Multiply this amount by 60 to determine the Disposable Income that would be applied to a hypothetical Chapter 13 Plan for unsecured, non-priority debts.

## The DI Outcome

If the disposable income exceeds the limits displayed in the chart on page 2, then presumption of abuse exists, and you may convert the case to Chapter 13, or advise your client to file Chapter 13.

## Jump Buttons Help You Quickly Refer to Schedules I and J

The Means Test Calculator contains Jump Buttons in the top right corner, allowing you to view or edit the income listed on Schedule I and expenses listed on Schedule J. Access these buttons quickly by clicking **CTRL + ALT + I** for Schedule I and **CTRL + ALT + J** for Schedule J.

## The Difference Between The Means Test and Schedules I & J

The concepts of income and expenses for the Means Test differ from the income and expenses reported on Schedules I and J. Schedule I lists the debtor's current income, while the Means Test requires an average from the last six months with Social Security Benefits excluded. Likewise, on the expense side, expense categories are different on the Means Test and Schedule J. Schedule J lists the debtor's actual current expenses while the Means Test uses IRS standards for some expenses, and actual for others. Moreover, Schedule J allows the attorney more discretion in listing other types of expenses, whereas the Means Test doesn't allow you to fill in unlimited "other" expenses.

# Chapter 7 Means Test: Step-by-Step Instructions

**Debtor description:** The following screenshots show a married couple filing jointly under Chapter 7.

To open the means test double click on Form 22A—Statement of Current Monthly Income in the Forms and Schedules menu.



## General Tab

### Step 1: Indicate Location, Marital Status, Family Size and Household Size

Complete the check boxes with information on the debtor's filing status, marital status, family size and household size.

#### Debtor's Location:

The county is populated based on the information provided in the Voluntary Petition. If this information hasn't been entered, enter a county now. The debtor's location determines State Median Income, County Housing Allowance and Regional Transportation Allowance.

#### Exclusion for Disabled Veterans, Non-Consumer Debts and the National Guard

- **Line 1A:** Check to exclude disabled veterans whose debts accrued while they were engaged in homeland defense.
- **Line 1B:** Check to declare primarily non-consumer debts.
- **Line 1C:** Check to declare Reserves and National Guards. If a box is checked, then the box will be checked on the printed form. The remainder of the test is not necessary.

**Marital Status:** Select the marital status of the debtor to determine if and how the spouse's income is included.

- **Married filing jointly**, both incomes are included.
- **Married not filing jointly**, the spouse's income is not included if the spouse maintains a separate household.
- **Married not filing jointly, without the declaration of separate households**, the spouse's income is included in the Current Monthly Income, but is only included in the Disposable Monthly Income to the extent that the spouse contributes to household expenses.

**Household and Family Size:** Enter the number of dependents. Based on the number of dependents, the household and family size will be populated. Override options are available for cases where the household size and family size are not the same.

- **The Household Size** determines the comparable median income and health care allowance.
- **The Living Household Size** determines the allowable IRS living expenses.
- **The Housing Household Size** determines the allowable IRS expenses for housing expenses.

**Expected Filing Date:** The debtor's expected filing date is used by Best Case for two primary reasons:

1. To determine the look-back period for the calculation of CMI.
2. To apply the appropriate set of data from the U.S. Trustee (i.e. which IRS allowances, Census Bureau income data, and administrative multipliers apply to the case).

**Case Number and Filing Date:** For cases that have been electronically filed with the Court, Best Case Bankruptcy will automatically enter the Case Number and Filing Date, pulling this information from the Case Status Tab of the Client Notes section.

After entering the appropriate information in each Tab, press **[ALT] + [N]** or click **NEXT** to continue.

**General Tab:** Enter marital status and number of dependents.



# Income Tab

## Step 2: Determine Current Monthly Income

The Current Monthly Income (CMI) is the debtor's average gross income (before taxes) for the previous six calendar months. There are two ways to enter the debtor's CMI. You can enter the figures directly into the fields on the **INCOME TAB**, or you may click the **CMI DETAILS** button to determine the average income.

### Income Fields:

This is ideal for quickly checking to see if the debtor is above or below the median, or if the debtor has only one form of income.

**Lines 3-10:** Enter a debtor's gross monthly income (averaged over the last six months) into the fields.

**TIP** The line numbers referenced correspond with line numbers on the printed form. Print a copy of Form 22 and follow along as you proceed through the Means Test Calculator.

Line	Debtor (a)	Spouse (b)
3. Gross wages, salary, tips, bonuses, overtime, commissions	3,535.00	3,900.00
4. Income from operation of business, profession or farm I&E	0.00	0.00
5. Rents and other real property income I&E	0.00	0.00
6. Interest, dividends and royalties	0.00	0.00
7. Pension and retirement income	0.00	0.00
8. Regular contributions to the household expenses ...	0.00	0.00
9. Unemployment compensation Debtor Spouse	0.00 0.00	0.00 0.00
10. Income from other sources	0.00	0.00
11. Subtotal of Current Monthly Income	3,535.00	3,900.00
12. Total Current Monthly Income for 707(b)(7)	7,435.00 CMI \$2429 Over Median	

**Income Tab:** Calculate the debtor's current monthly income.

### CMI Details Calculator:

This offers an easy way to average the debtor's income over the last six months, allowing you to quickly calculate CMI and generate an attachment with a complete record of the debtor's income sources.

#### Instructions:

1. Click **CMI DETAILS** to open the CMI Calculator.
2. Click **INSERT** to create a new income source:

**Type:** Choose income type from the drop-down menu, which determines where the income is included on the Form.

**Source:** Enter the name of the debtor's employer when entering income from a job.

**Debtor/Spouse:** Select whether the income belongs to the debtor or the debtor's spouse.

**Method:** There are three ways you can calculate the average monthly income:

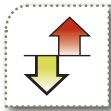
- **6 Individual Months:** Enter the debtor's income for each of the six months in the look-back period and compute an average income based on the monthly totals. Manually enter the income and expenses for each individual month, or if the debtor has several months where the income or expenses are identical, click the **COPY AMOUNT DOWN** button.
- **Same Income Every Month:** If the debtor receives the same amount every month, for example a pension or child support payment, enter the regular monthly gross income the debtor receives.
- **Year-to-date Subtraction:** With just two or three paystubs, this method calculates the debtor's average income by taking the debtor's year-to-date gross income from the last income statement prior to the start of the CMI look-back period and subtracting it from the debtor's year-to-date gross income from the last income statement received during the look-back period. If the debtor's expected filing date is June 30 or earlier, the look-back period extends into the previous year, and the CMI Calculator will help compute the year-to-date income separately for each year.

3. Click the **REMARKS TAB** to provide details regarding the income source. This is included on the attachment.
4. After entering the information, click OK to save changes and return to the main CMI Details screen. Click **INSERT** to add a new income source, click **CHANGE** to edit an existing record. Close to return to the Means Test Calculator.

Year	Amount
12/2010	3,560.00
01/2011	3,890.00
02/2011	3,330.00
03/2011	2,980.00
04/2011	3,650.00
Total:	21,210.00
Average:	3,535.00

**CMI Details:** Helps you compute the average income over the last six months.





## Median Tab

### Step 3: Compare the Debtor's CMI with the State Median

In most cases, the Means Test ends here. If the debtor's income falls below the median there is no presumption of abuse, and the applicable parts of Form 22A will be printed.

**Line 13 – Debtor's Annualized Income:** The debtor's annualized income is calculated and the result is displayed.

**Line 14 – Median Family Income:** The Means Test Calculator automatically fills in the State Median, which is determined by the state of residence and the household size selected in the General Tab. Median incomes are based on Census Bureau numbers; they are adjusted for inflation and published by the U.S. Trustee.



### IF THE DEBTOR'S INCOME FALLS BELOW THE STATE MEDIAN, THE TEST ENDS HERE.

If the debtor's income is above the state median, the completion of the Means Test is required. Additional Tabs appear at the top of the screen to guide you through the calculation of Disposable Monthly Income (DMI).

**TIP** If the debtor is above the median, enter Schedule D and E claims to complete Form 22. To save time, complete only the necessary claim details—the monthly payment, term, and any past due amounts.

At the bottom of the screen, there is a summary of income and expenses. This number is updated throughout the means test.

**TIP** Click Wait to File? to see what would happen if the debtor waited 1 to 6 months to file. If the debtor is above the state median, this screen shows earnings that would be below the state median. If the debtor is below the state median, the screen reveals the additional earnings needed to surpass the median.

Part III. Application of 707(b)(7) Exclusion (Median Income Test)		
12. Total Current Monthly Income for 707(b)(7)	8,035.00	CMI \$3029 Over Median
13. Annualized Total Current Monthly Income for 707(b)(7)	96,420.00	Wait to file?
14. Median Household Income: Illinois, 2 in Household	60,073.00	Show Table
15. Application of 707(b)(7): Debtor's CMI Over State Median, Continue with Means Test		
You must complete remaining parts to compute Disposable Income		
Part IV. Calculation of Current Monthly Income for § 707(b)(2)		
16. Total Current Monthly Income from line 12	8,035.00	
17. Marital adjustment	0.00	Edit Marital Adjustment...
18. Current monthly income for § 707(b)(2). (Line 16-17)	8,035.00	

CMI Current Monthly Income	8,035.00	
Less: Deductions	7,685.00	
= DMI Disposable Income	350.00	DMI over abuse by \$154.59
× 60 month = 60 Mos DI	21,000.00	Abuse=Yes, 60 mo DI > \$11,725

**Median Tab:** Reveals whether the debtor's income is above or below the state median.

### What is the Marital Adjustment?

If the debtor is married, not filing jointly, without the declaration of separate households, there is a marital adjustment to the income. The adjustment removes the portion of the spouse's income not used for household expenses.

To calculate the debtor's marital adjustment, enter the non-filing spouse's monthly contribution to household expenses, and the remaining portion of the spouse's income will be removed.

Part IV. Calculation of Current Monthly Income for § 707(b)(2)		
16. Total Current Monthly Income from line 12	8,035.00	
17. Marital adjustment	0.00	Edit Marital Adjustment...
18. Current monthly income for § 707(b)(2). (Line 16-17)	8,035.00	

**Marital Adjustment:** Enter contributions to household expense for the non-filing spouse.



## Living Tab

### Step 4: Deduct the IRS Living Allowance

The National IRS Allowance for living expenses is provided, including clothing, food, housekeeping, personal care, and miscellaneous items. Per official instructions, the IRS Standard Allowance is deducted regardless of what the debtor actually spends.

#### Line 19A – Apply the IRS Living Allowance:

The debtor's IRS Allowance is populated based on the income level specified, and the Living Household Size specified in the General Tab.

*Override option available for the living allowance.*

#### Line 39 – Take 5% More for Food and Clothing Expenses:

If the additional amount is deemed reasonable and necessary, enter the additional amount, or simply check the **TAKE MAX** box to calculate 5% and update the amount.

Living Tab: Apply the IRS Allowance for living expenses.



## Health Tab

### Step 5: Deduct the IRS Health Care Allowance

The Health Care Allowance is the number of people in the debtor's household multiplied by the IRS National Standards for Out-of-Pocket Health Care. There are two standards: one for members under 65, and another for members 65 or older.

#### Line 19B – Calculate the IRS Health Care Allowance:

- **All Members are Under 65:** By default Best Case multiplies the debtor's household size by the IRS National Standard for Out-of-Pocket Health Care for persons under 65 years of age.
- **Debtor or Debtor's Spouse is 65 or Older:** Check the boxes to recalculate the Health Care Allowance.
- **Additional Dependents 65 or Older:** Specify the number of dependents who are 65 or older in the box labeled Dependents. Best Case will then recalculate the Health Care Allowance using the appropriate numbers for household members over or under 65.

*Override option for health care allowance.*

#### Line 31 – Enter Other Necessary Health Care Expenses:

Form 22 states that health care expenses should represent the average monthly amount the debtor actually spends on health care, that is in excess of the IRS Allowance, and not reimbursed by insurance or paid by a health savings account.

Health Care Tab: Apply the IRS Allowance for health care expenses.

**Calculate Other Health Care Expenses, in Excess of Allowance: Equals Line Y minus Line Z.**

Best Case prints this figure on Line 31 for the debtor's other necessary health care expenses.



# Housing Tab

## Step 6: Deduct the IRS Housing Allowances

Calculate the housing allowance for the debtor. Form 22 permits two allowances, one for non-mortgage expenses, such as maintenance, and one for mortgage or rent expenses.

### Line 20A – Deduction for Non-Mortgage Expenses:

The IRS Allowance is entered for you, based on the debtor's county and household size. This figure covers a debtor's non-mortgage housing expenses, such as maintenance and utilities.

**Override option available for housing allowance.**

**TIP** Enter any claims secured by the debtor's house on Schedule D before deducting them from the debtor's Mortgage/Rent Allowance on Form 22. When entering the claim on Schedule D, click on the Means Test Tab. Then specify that the claim is secured by the debtor's house, determine the average monthly payment due on the claim over the next 60 months, and specify any arrearage amounts to be deducted from the debtor's disposable income.

**Housing Tab:** Apply the IRS Allowances for housing expenses.

**Line 20B, Part A – Deduction for Mortgage or Rent:** The IRS Allowance for mortgage/rent expenses is entered for you.

The housing allowance for mortgage expenses is a little more complicated. Although the IRS uses this allowance as a maximum amount to be spent on housing, BAPCPA allows debtors to deduct all payments contractually due in the next 60 months that are necessary for the debtor to maintain the property.

**Line 20B, Part B –** Click **SECURED CLAIMS** to enter monthly payments for debts secured by a debtor's home.

Form 22A is clear that the debtor can't deduct both the full housing allowance and the full mortgage payment. If the debtor deducts a mortgage payment, which can be done on the **DEBT PMT TAB**, then you need to reduce the amount claimed under the IRS Housing Allowance by the mortgage amount.

**Line 21 – Housing and Utilities Adjustment:** The IRS has only one allowance for both mortgage and utilities, but for the purpose of the Means Test, this figure has been split into non-mortgage and mortgage/rent allowances. To contend that splitting the allowance as indicated on the Means Test form does not allow the debtor to deduct the full amount to which he is entitled under the IRS Standards, enter a housing and utilities adjustment and state the basis for contention.

### Line 37 – Home Energy Costs in Excess of IRS Utilities Allowance:

If the debtor's monthly home energy costs exceed the IRS Allowance, enter the amount of the excess energy costs and use BestScan and/or the Attachment feature to provide documentation.

Size of Family	Utilities / Maintenance	Mortgage / Rental
1	449	1,030
2	528	1,209
3	556	1,274
4	620	1,420
5 or more	630	1,443

**Housing and Utilities Allowance:** The Show Table button prompts a window that displays IRS Mortgage/Rent and Maintenance/Utilities allowances for each family size in the debtor's county.





# Car Tab

## Step 7: Deduct the IRS Transportation Allowances

Similar to the Housing Allowances, there are two separate allowances for transportation: one for operating costs such as maintenance, and one for ownership costs, including a lease or car payment. These allowances are entered for you, based on the information entered into the Car Tab.

**Line 22A – Deduction for Operating Expenses:** First, specify the number of vehicles operated by the debtor. Based on the debtor’s location and number of cars, a Regional IRS Allowance is entered for you. If the debtor does not operate any cars, a public transportation allowance is applied.

**Override option available for transportation allowance.**

**Line 22B:** If your debtor uses public transportation and operates a vehicle, and you contend that you’re entitled to an additional deduction for your public transportation expenses, check the box in Line 22B to claim an additional monthly expense.

**Lines 23-24 – Deduction for Ownership Expenses:** This is national, and is based on the number of vehicles the debtor owns or leases. To determine the ownership allowance, provide the number of vehicles owned. The default is for the number of vehicles owned or leased to be the same as the number operated. To specify a different number remove the check from **SAME AS 22**.

The IRS Ownership Allowance for cars works the same way as the IRS Mortgage/Rent Allowance for housing. A fixed amount is provided, but it functions as a minimum because the debtor is allowed to deduct all secured payments contractually due in the next 60 months, even if the payments exceed the allowance.

Secured payments for cars will appear in the **DEBT PMT TAB** where they are subtracted from disposable income. Secured payments will reduce the IRS transportation allowance because both deductions are not permitted.

If the total of all secured payments on cars is less than the car ownership allowance, the debtor will also get to reduce the disposable income by the difference between car payments and the allowance. If the car payments are greater than the ownership allowance, then only the car payments are allowed.

**Calculate the Ownership Expense:** The National IRS Allowance is entered for you. Click the **SECURED CLAIMS** button to enter car payments if the car is financed.

1. Highlight the first car debt and click **CHANGE**.

**TIP** Enter any claims secured by the debtor’s vehicles on Schedule D before deducting them from the debtor’s Ownership Allowance on Form 22. When entering the claim on Schedule D, click on the Form 22 Means Test Tab. Then specify that the claim is secured by the debtor’s first or second vehicle, determine the average monthly payment due on the claim over the next 60 months, and specify any arrearage amounts to be deducted from the debtor’s disposable income.

**Car Tab:** Apply the IRS Allowances for transportation expenses.

**Car Claim Treatment:** Enter the monthly payment, number of months, and any past due amounts. Then indicate whether it’s secured by Car #1 or Car #2.

- On the **FORM 22 MEANS TEST TAB** for the creditor, enter the debtor's monthly payment, the number of payments due in the next 60 months, and any escrow and balloon payments contractually due in the next 60 months. The 60-month average payment is provided, transferred to the **DEBT PMT TAB** of Form 22, and deducted from the debtor's disposable income.

**TIP** If you are unsure of the monthly payment, the Form 22 Means Test Tab includes a Monthly Payment Calculator to determine the average monthly payment over the next 60 months.

- If the debtor is behind in payments, enter the cure amount.
- In the Means Test Treatment selection on the right side, indicate that the claim is **SECURED BY CAR 1**, then click OK.
- Click Close to return to the Means Test Calculator, where the average payment over 60 months has been deducted from the IRS ownership allowance. The result of this calculation is shown in Part C, the net ownership allowance for Car 1.
- If the debtor is claiming the ownership allowance for two vehicles, follow the steps above to specify the payments for the second car.

### Leased Vehicles and Cars Owned Outright:

If the debtor is claiming the ownership/lease allowance on a vehicle and there are no claims secured by the vehicle, the full IRS Ownership Cost is provided as the default ownership/lease expense for the vehicle.

Form 22 Means Test Tab in Schedule D: Fill in payment information and select treatment on the right.

## Necessary Tab

### Step 8: Deduct Necessary Expenses

**Lines 25-32:** Enter the debtor's actual monthly expense for each category.

**TIP** Print a copy of Form 22 to refer to the complete descriptions.

**Line 25:** Enter a debtor's payroll taxes (since the earlier calculation of current monthly income computes gross income). This field can also include personal property taxes, but it does not include real estate taxes or sales tax.

**Necessary Tab:** Deduct any necessary expenses.



## Additional Tab

### Step 9: Deduct Additional Expenses

There are a number of additional expense categories not recognized by the IRS for tax purposes, but recognized as deductions to Disposable Income by debtors in bankruptcy.

**Lines 34-40:** Similar to the expenses listed in the Necessary Tab, enter your debtor's actual expenses for each category. Refer to Form 22 for complete descriptions of expenses.

**TIP** Figures entered on earlier Tabs of the Means Test Calculator appear in gray fields. To adjust Line 37, go back to the Housing Tab. To adjust Line 39, go back to the Living Tab.

**Note:** For Lines 37–39, the Trustee requires additional documentation to confirm that the additional amount is reasonable and necessary. Use BestScan and the Attachment feature to include this extra documentation.

#### Line 40 – Continued Charitable Contributions:

Form 22A does not limit charitable contributions, but Form 22C does.

Part V. Subpart B: Additional Expense Deductions under § 707(b)	
34. Health Insurance, Disability Insurance, Health Savings	
a. Health Insurance	250.00
b. Disability Insurance	0.00
c. Health Savings Account	0.00
	250.00
35. Care and support of elderly, chronically ill or disabled	0.00
36. Protection against family violence	0.00
37. Home energy costs in excess of the allowance	0.00
38. Education expenses for dependent children less than 18	0.00
39. Additional food and clothing expense	35.00
40. Continued charitable contributions §707(b)(1)	0.00
\$905.00 is 15% of Sch I Gross \$6,033.34 (line 16 + 5) \$1,205.25 is 15% of Line 11 CMI \$8,035.00	
41. Total Additional Expense Deductions	285.00

CMI Current Monthly Income	8,035.00
Less: Deductions	7,850.00
= DMI Disposable Income	170.00
x 60 month = 60 Mos DI	10,200.00

DMI under abuse by \$25.41  
Abuse=No, 60 mo DI < 25% Ugen  
Presumption of Abuse: No

**Additional Tab:** Deduct any additional expenses.

“You’ve done a fantastic job with the Means Test, I’ve tried a number of varying fact patterns and you have nailed it. This is a huge accomplishment!”

—James P. Caher, Attorney at Law,  
Author of “Bankruptcy for Dummies”  
Eugene, OR





## Debt Payment Tab

### Step 10: Deduct Payments for Secured Claims, Priority Debts and More

The Code allows for the following deductions from the debtor's Disposable Monthly Income:

- All secured payments contractually due in the next 60 months, divided by 60
- All past due amounts on claims secured by property necessary to the debtor, divided by 60
- All priority claims, divided by 60
- The administrative expenses involved in a hypothetical Chapter 13 case

#### Line 42 – Edit Any Future Payments on Secured Claims:

If you have entered claims secured by the debtor's home, car(s), or other, these are totaled and entered here. Click [VIEW/EDIT SECURED CLAIMS](#) to specify payment information for additional secured claims.

**Debt Payment Tab:** Review the deductions for secured claims, priority claims and more.

**Note:** You may deduct all payments secured by property which are contractually due in the next 60 months, without regard to the debtor's intention. So, for all claims listed on Schedule D, you will have to specify payment details.

#### Line 43 – Cure Amounts for Secured Claims

**Line 44 – Priority Claims:** The Means Test Calculator automatically totals all priority amounts of Schedule E Claims and divides by 60, as the Code requires. If Line 44 for Priority Claims reads "0.00" or seems low, click the [VIEW/EDIT PRIORITY CLAIMS](#) button to review Schedule E claims, or return to Schedule E to add them.

#### Line 45 – Chapter 13 Plan Payment and Administrative Expenses

##### Part A: Enter a projected Monthly 13 Plan Payment

Contact your Court or Trustee to determine what number to enter here.

##### Part B: Review the Administrative Multiplier for your District

This figure is published by the U.S. Trustee, and is entered automatically. You may override the multiplier, if you want to manually enter the number.

##### Part C: Review the Average Monthly Administrative Expense of a Chapter 13 Case

This figure is calculated and entered for you.

**Note:** If you are filing in the Eastern or Western District of North Carolina, check the override button to manually enter your multiplier. If unsure about the number, check with the Bankruptcy Administrator to obtain the multiplier.

**Line 46 – Total Deductions for Debt Payment:** This figure shows the sum of Lines 42-46 and is entered automatically.

**Line 47 – Total of All Deductions:** This figure shows the sum of all deductions for this test (Line 33 + Line 41 + Line 46). This figure is entered automatically.



## Summary Tab

### Step 11: Review Results of the Debtor's Means Test

The Summary screen displays the outcome and results of this Means Test.

**Line 48:** Lists the debtor's Current Monthly Income.

**Line 49:** Totals the debtor's Deductions. Organized by category, a listing of monthly expenses is pictured on the right side of the screen.

**Line 50:** Reveals the difference, yielding the debtor's Disposable Monthly Income.

**Line 51:** Shows the 60-Month Disposable Income, which is the hypothetical amount that unsecured creditors could receive in a five-year Chapter 13 plan.

**Summary Tab:** Review the results of the Means Test.

### Results of Means Test, Based on Different Amounts of Disposable Income

If debtor's FIVE-YEAR disposable income is:	If debtor's MONTHLY disposable income is:	Description of Means Test Result
Less than \$7,025	Less than \$117.08/mo	Debtor passes the Means Test and can file Chapter 7 without a presumption of abuse.
Greater than \$11,725	Greater than \$195.42/mo	There is a presumption of abuse if a debtor files Chapter 7.
Between \$7,025 - \$11,725	Between \$117.08/mo and \$195.42/mo	The Means Test looks at the total unsecured, non-priority debt, and if there is enough disposable income to repay at least 25% of the debt, there is a presumption of abuse.

In other words, the debtor's unsecured debt must be at least four times more than his 60-month disposable income in order to pass without presumption of abuse.

**TIP** Copy the Means Test results into an Excel Spreadsheet. Simply click the Notepad button in the lower right corner.



## Special Tab

### Step 12: Enter Special Circumstance Details

The Means Test form allows for special circumstances, which may further reduce the debtor's disposable income.

**Note:** Expenses arising from special circumstances do not reduce the debtor's CMI as reported on the form, and they don't affect which box is checked at the beginning of the form (Presumption Arises or Presumption Does Not Arise). However, they do give the trustee additional information about your debtor's situation that will be taken into consideration.

**When finished with the Means Test, click OK.**



## Tips and Form Preferences

**Print Form 22:** Just like any other form, you can print the Means Test from the Forms and Schedules Menu. To modify the print settings, highlight Form 22 in the Forms and Schedules Menu, and click **SETUP > FORM PREFERENCES**.

**Print Details about the Calculation of Current Monthly Income:** Best Case can automatically generate an attachment sheet which includes a complete record of the debtor's current monthly income. You can choose to print or not print the calculation of CMI, as entered into the CMI Details Calculator. To make this decision, highlight Form 22 in the Forms and Schedules Menu, and click **SETUP > FORM PREFERENCES**.

**Review Means Test Results in Microsoft® Excel®:** From the Summary Tab, you can click the **NOTEPAD** button in the lower left corner to copy the results of the Means Test. Open a new spreadsheet in Microsoft Excel and click **CTRL + V** to paste the results.

**Edit Form 22:** From the Forms and Schedules Menu, highlight Form 22 and right-click. Choose **Edit Form**, which allows you to manually enter information and save your changes for this client.

## Chapter 11 Cases

### Form 22B: Statement of Current Monthly Income

Form 22B Statement of Current Monthly Income is filed in all individual and joint Chapter 11 cases. This form simply computes the debtor's CMI as an average of gross income from the last six months.

For debtors who are married, but not filing jointly, only the debtor's income is recorded. The non-filing spouse's income is excluded.

## Chapter 13 Cases

### Form 22C: Statement of Current Monthly Income

The intent of Form 22C is different than that of Form 22A. Form 22C does not look for signs of abuse, nor does being above or below the median preclude anyone from filing a Chapter 13 Plan.

Form 22C is used to determine the debtor's applicable commitment period for a Chapter 13 Plan, identifying whether the plan should be three or five years.

#### Parts I and II:

Like Form 22A, Form 22C first calculates a debtor's Current Monthly Income and compares this figure to the state median for the debtor's household size.

- **If the debtor's income is below the state median...**  
The applicable commitment period is 36 months, and Form 22C does not instruct the debtor to complete the remaining parts of the form.
- **If the debtor's income is above the state median...**  
The applicable commitment period is automatically 60 months, and the entire form must be completed to determine Disposable Income.

#### Parts III, IV, V and VI:

Form 22C deducts the IRS allowances, necessary expenses, secured claims, priority claims and certain arrearages, **but the debtor is also allowed to subtract child support payments received, and 401(k) or other retirement contributions made.** For above median debtors, the result is the disposable monthly income (DMI), which is intended to double as a monthly payment to unsecured creditors.

In the last part, list any special circumstances necessary for the health and welfare of the debtor or debtors dependents, if you content that these should be additional deductions from the Means Test. The descriptions and amounts will print on the form, but will not reduce the amount of DMI.

# Frequently Asked Questions

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**Q:** How do I calculate and average the debtor's current monthly income?

**A:** The CMI Details Calculator allows you to calculate the average monthly income. See Page 5 for more information.

**Q:** How do I list a claim on the Means Test if I don't want to include it on the Petition?

**A:** The best way to do this is to create a dummy creditor for the claim. Enter the claim on Schedule D (or E if it is a priority claim), and enter the Market Value and the Claim amount. Then check the Do Not Print/Total on Sch D (or E) and the Exclude from Mailing Matrix check boxes in the top right-hand corner of the Creditor Info screen. Next, click on Form 22 Means Test Tab and specify their Means Test treatment for the claim.

**Q:** If my debtor is filing a Chapter 13 and is below the median income, what do I do if the trustee requires all of Form 22C to be completed?

**A:** If the debtor is below the median income level, but you need to complete the whole form, click the Always Compute DMI check box on the Median Income Tab.

**Q:** When entering a mortgage payment, how do I include property taxes and insurance?

**A:** The Secured Claims section of Form 22, Subpart C: Future Payments on Secured Claims, contains a check box where you can indicate whether a payment includes taxes and/or insurance.

The Form 22 Means Test Tab for Schedule D creditors includes a separate field for escrow amounts. This field can be used for any contractually required amount due on a claim, but is especially handy for entering insurance and tax payments.

**Q:** How do I handle remaining months on a claim?

**A:** If there are more than five years left on the claim, enter 60 for the number of months remaining. The Means Test is looking for 1/60th of the total amount due on the claim over the next five years. If there are five or more years left on the claim, the average monthly payment will be the same as the current regular payment the user enters in the Form 22 Means Test Tab. The number of months left on the payment does not print anywhere on the form, so the form will print correctly as well.

If the debtor has less than five years left on the claim, then you need to know the exact number of months remaining on the claim, so you can compute the average payment over the next 60 months.

**Q:** Why is the unsecured debt provided on the Summary Tab so high?

**A:** If there is a mortgage claim or a car claim included in the Means Test the chances are good that you might have entered in the claim amount but didn't put in a market value for the claim, or never linked the claim to a property on Schedule A or Schedule B. If this is the case, then the entire claim amount will automatically be listed as unsecured. To correct this, go back into the Creditor Information screen and enter a market value.

**Q:** My debtor's CMI is above the median, but the DMI is negative. What happened?

**A:** There are many reasons a debtor may have a negative DMI. For starters, several deductions applied in the Means Test are based on pre-determined IRS allowances, and these may not be reflective of the debtor's actual expenses.

Another possibility is that the debtor may have income that's not included in the calculation of the CMI, as is the case with debtors receiving Social Security for disability. Remember that the debtor's CMI is the debtor's average monthly income over the six months prior to filing the petition. Debtors who were unemployed for three months, or recently got a raise, may have a lower current monthly income.

Finally, remember that the Debt Payment Tab of the Means Test includes all of the debtor's current obligations to secured creditors, arrearages, and any amounts owed to priority creditors. It assumes that the debtor is going to make the full payments on all of them. If the debtor has enough in arrears or owes a large amount of back taxes, it is entirely possible that the regular payment for the claim could be more than the money he has left over after making all of his other payments.

**Q:** What happens if the debtor owns his vehicle outright, and the Trustee says he is not entitled to the full Ownership Allowance?

**A:** The Means Test Calculator includes an Override check box for the Ownership/Transportation Allowance in the Car Tab. Check this to adjust the allowance. The Housing and Living Tabs of the Means Test Calculator also include override check boxes if they need adjustments.

## Our Commitment:

Your satisfaction is our top priority. To continually provide the best quality product and service, we are constantly asking users like you for your feedback. Please e-mail your suggestions and comments to [help@bestcase.com](mailto:help@bestcase.com). We look forward to hearing from you!

# Quick Start Guide: Means Test

The following Quick Start instructions are for a Chapter 7 debtor. The screens and required information differs slightly for a Chapter 11 or Chapter 13 debtor. To access the Best Case Means Test Calculator, double-click on Form 22 in a client file.

1. **General Tab:** Specify the debtor's county, unless you have already entered this information on the Voluntary Petition. Indicate the debtor's marital status, household, and family size. This information helps determine whether the spouse's income is included, which Census Bureau figures to use, and which IRS allowances apply.

2. **Income Tab:** Compute the debtor's current monthly income, using the CMI Details button or by typing the amounts into the appropriate fields.

3. **Median Tab:** Compare the debtor's CMI to the state median for his household size. The median income is supplied for you. For many debtors, the Means Test ends here because their income will be below median.

If the debtor's income is above median, continue the test to calculate the debtor's 60-Month Disposable Income.

If the marital adjustment field is activated, enter the amount that the non-filing spouse contributes to the household expenses.

**TIP** *If the debtor is above the median, enter Schedule D and E claims to complete Form 22. For debtors with disposable income between \$7,025 and \$11,725, all creditor information is required.*

4. **Living Tab:** The National IRS Allowance is provided for living expenses. If reasonable and necessary, you may claim an additional 5% for food/clothing by checking the box.

5. **Health Tab:** The National IRS Allowance is provided for health care expenses based on the number of dependents and their ages.

6. **Housing Tab:** There are two IRS Allowances provided based on household size and county:

- **An Operating Expense** that covers non-mortgage expenses, such as home maintenance. This allowance is entered for you.
- **An Ownership Expense** that covers a rent and/or mortgage expense. If the debtor rents, he gets a standard housing allowance.

If the debtor has a mortgage, the standard allowance is reduced based on any payments contractually due in the next 60 months. Click Secured Claims to locate the claim secured by the house. Highlight the claim and click Change to edit payment details.

Click **CLOSE** to return to the Test. Notice that the mortgage payment (or the average payment over the next 60 months) has been subtracted from the housing allowance, leaving a net amount. This payment will appear on the **DEBT PAYMENT TAB** later in the test, and will reduce the debtor's DMI.

7. **Car Tab:** The allowances for cars work similarly to the allowances for housing. There is:

- **An Operating Expense** based on the debtor's region and number of vehicles operated. Specify the number of vehicles operated by the debtor, and this allowance is entered for you.
- **An Ownership Expense** based on the number of vehicles owned or leased. Click **SECURED CLAIMS** to enter any claims secured by Car 1 or Car 2.

The ownership allowance is reduced by the secured payment, which is carried to the **DEBT PMT TAB**. If the debtor owns the car outright or leases the car, Best Case defaults to using the full ownership allowance.

8. **Necessary and Additional Tabs:** Enter the debtor's actual monthly expenses in each category on the screen. Print a copy of the form to read the full description.

9. **Debt Payment Tab:** Review all secured claims contractually due in the next 60 months, any past due amounts on claims secured by property necessary for the debtor's support, and all amounts due on priority claims from Schedule E. If there are secured claims other than the house and car payments, click the **VIEW/EDIT SECURED CLAIMS** button and specify payments. Without payment information, these claims are not included in the Means Test. In the Debt Payment Tab, specify a projected Chapter 13 Plan Payment and the multiplier for your district.

10. **Summary Tab:** The figures for Disposable Monthly Income and the 60-Month Disposable Income calculations are shown, as well as the unsecured debt from Schedules D, E and F. The outcome of the test is also explained.

11. **Special Circumstances Tab:** Enter any special circumstances faced by the debtor. These don't affect the calculations or selection of check boxes, but are included in Part VII of the printed form.

12. **Printing Instructions:** To print the form from the Forms and Schedules Menu, highlight the form, right-click and select **PRINT**.