

Best Case by STRETTO

# 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 six different forms and means test calculations, based on the chapter of bankruptcy:

- Chapter 7:** Form 22A-1Supp, Statement of Exemption from Presumption of Abuse Under §707(b)(2)
- Chapter 7:** Form 22A-1, Statement of Your Current Monthly Income
- Chapter 7:** Form 22A-2, Means Test Calculation
- Chapter 11:** Form 22B, Statement of Your Current Monthly Income
- Chapter 13:** Form 22C-1, Chapter 13 Statement of Your Current Monthly Income and Calculation of Commitment Period
- Chapter 13:** Form 22C-2, Chapter 13 Calculation of Your Disposable income

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

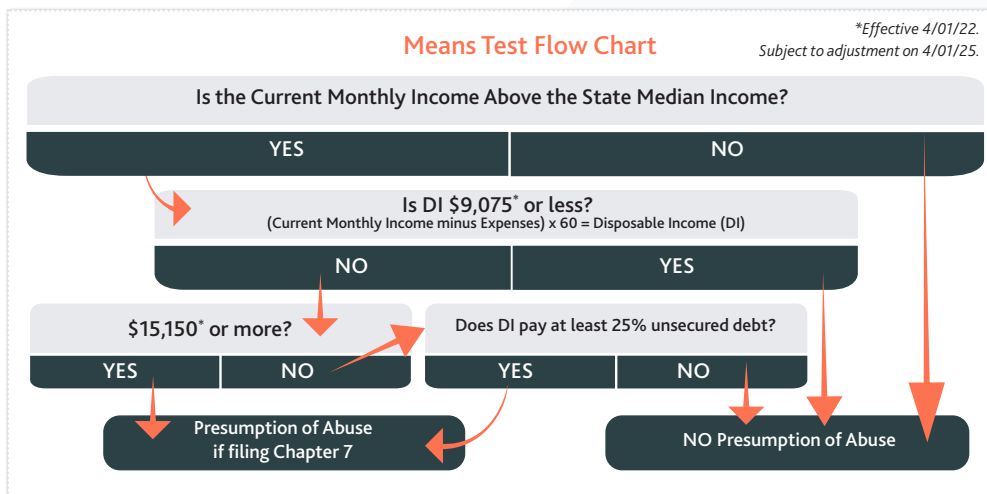
- A comprehensive calculator with easy on-screen instructions and tabs for each category
- Charts with Census Bureau Income Data for all states and household sizes
- Tables with the most up-to-date National and Local IRS Allowances
- A running tally of the debtor's income, expenses and disposable income
- 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 Form 22A-1 Chapter 7, 22A-2 Chapter 7 Means Test Calculation. 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.

# Chapter 7 Means Test:

## Step-by-Step Instructions

### General Tab

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

Complete the checkboxes 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.

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

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

- Form 22A-1Supp, Line 1: Check to exclude disabled veterans whose debts accrued while they were engaged in homeland defense.
- Form 22A-1Supp, Line 1: Check to declare primarily non-consumer debts.
- Form 22A-1Supp, Line 1: 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

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

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

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:

- To determine the look-back period for the calculation of CMI.
- 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 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.

# Chapter 7 Means Test:

## Step-by-Step Instructions

### 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 three 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. For a more detailed account of payroll income and deductions per paycheck, click CMI PAYCHECKS

Category	Debtor (a)	Spouse (b)
1. Gross wages, salary, tips, bonuses, overtime, commissions	5,200.00	4,000.00
2. Alimony and maintenance payments	0.00	0.00
3. Regular contributions to the household expenses ...	0.00	0.00
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. Unemployment compensation (UEC Claimed as SSA Benefit)	0.00	0.00
8. Pension and retirement income (**exclude SSA)	0.00	0.00
9. Other sources (excl. SSA & victims \$101(10A)(B))	0.00	0.00
10. Subtotal of Current Monthly Income by person	5,200.00	4,000.00
11. Total Current Monthly Income for 707(b)(7)	9,200.00 CMI \$1601 Over Median	

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

✳️ **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.

### CMI Details Calculator:

Month	Income
09/2014	4,555.00
10/2014	4,555.00
11/2014	4,555.00
12/2014	4,555.00
<b>Total</b>	<b>27,330.00</b>
<b>Average</b>	<b>4,555.00</b>

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

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.
- **Same Income every month undated:** If the debtor receives the same amount every month (e.g. a pension or child support payment) you can use this method and enter the regular monthly gross income the debtor receives without date restrictions or specifications.

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.



# Chapter 7 Means Test:

## Step-by-Step Instructions

### Income Tab cont.

#### Step 2: Determine Current Monthly Incomeze

#### CMI Paycheck Calculator:

This offers an easy way to calculate the six month average of the debtor's income based on individual paycheck entries. Paycheck deductions are automatically figured into the Means Test tabs corresponding to necessary deductions.

**CMI Paychecks:** Helps you compute the six month average income based on individual paycheck data.

#### Instructions:

1. Click CMI PAYCHECKS to open the CMI Paycheck Calculator.
2. Click INSERT to create a new employer entry:  
 Person: Specify which debtor the paycheck entry is for.  
 Primary Employer: Select checkbox if paycheck entry is for the Primary Employer.  
 Employer Name, Address, etc.: Enter employer name, address, contact details and length of employment.  
 Paychecks: Insert entries for each individual paycheck you'd like to include in the calculation.

1. Click INSERT to add Paycheck Entries  
 Paycheck Date: Enter the date the paycheck was issued.  
 Wages: Enter the debtor's gross and overtime income for that specific paycheck.  
 Deductions: Enter any withholdings for taxes, insurance, retirement, dues, etc.  
 Number of identical paychecks issued in past 6 mos: If debtor is a salaried worker, enter number of identical paychecks issued in past 6 months.
2. Click OK to save entry and return to the Employer details screen.
3. Repeat steps 1 and 2 to add additional paycheck details for that employer.

3. Click INSERT to create additional employer entries
4. Select Include on Schedule I checkbox if you'd like the employer details and paycheck data to populate the Employment and Wages tabs of Schedule I. From the dropdown, specify the Schedule I amount based on the last check, a specific check or an average of the checks that were entered. Select the pay period.
5. Click OK to save changes and return to Income Details screen. Close to return to the Means Test Calculator.

\* TIP: Data entered via CMI Paychecks will override the employer and wage details of Schedule I if the Include on Schedule I checkbox is selected. When selecting this option, avoid duplicate work by accessing the Paycheck Calculator prior to entering employer and wage data into Schedule I. The Paycheck Calculator can be accessed from Schedule I from the Wages tab via the "P" button in the upper-right corner.

# Chapter 7 Means Test:

## Step-by-Step Instructions

### ■ ■ ■ ■ 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 Form 22A-1 Chapter 7 Statement of Your Current Monthly Income will be printed.

**Line 12b – Debtor's Annualized Income:** The debtor's annualized income is calculated and the result is displayed.

**Line 13 – 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 DEBTORS 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).

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

\* **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.

### What is 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.

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

# Chapter 7 Means Test:

## Step-by-Step Instructions


### ■ ■ ■ ■ 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 6 – 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 30 – 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.

Form 22A Current Monthly Income and Means Test for Chapter 7													
Apply IRS National Standards for Living Expenses based on family size													
General   Income   Median   <b>Living</b>   Health   House   Car   Necessary   Additional   Debt Pmt   Summary   Special   All \$													
<b>22A-2 - Part 2: Calculate Deductions from Income - Food, Clothing, and Other</b>													
6. National Standards: Food, clothing, and other items	1,092.00												
<input type="checkbox"/> Show Table	<input type="checkbox"/> Override Table												
Family of 2													
30. Additional food and clothing expense. Monthly amount by which actual food and clothing expenses exceed the combined allowances for food and apparel. Maximum 5%.	38.00												
Food & Clothing Allowance: \$750 plus 38 = \$788	5% \$38.00												
Schedule J Food & Clothing: \$0 (Food 0 + Clothing 0 + Laundry 0)	<input checked="" type="checkbox"/> Take Max												
<table border="0"> <tr> <td>CMI Current Monthly Income</td> <td>9,545.50</td> <td></td> </tr> <tr> <td>Less: Deductions</td> <td>8,591.50</td> <td></td> </tr> <tr> <td>= DMI Disposable Income</td> <td>954.00</td> <td>DMI over abuse by \$746.09</td> </tr> <tr> <td>x 60 month = 60 Mos DI</td> <td>57,240.00</td> <td>Abuse=Yes, 60 mo DI &gt; \$12,475</td> </tr> </table>		CMI Current Monthly Income	9,545.50		Less: Deductions	8,591.50		= DMI Disposable Income	954.00	DMI over abuse by \$746.09	x 60 month = 60 Mos DI	57,240.00	Abuse=Yes, 60 mo DI > \$12,475
CMI Current Monthly Income	9,545.50												
Less: Deductions	8,591.50												
= DMI Disposable Income	954.00	DMI over abuse by \$746.09											
x 60 month = 60 Mos DI	57,240.00	Abuse=Yes, 60 mo DI > \$12,475											
Presumption of Abuse: Yes													

Living Tab: Apply the IRS Allowance for living expenses.



# Chapter 7 Means Test:

## Step-by-Step Instructions

### 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 7 – 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

Override option available for health care allowance.

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

**Line 22 – Enter Other Necessary Health Care Expenses:** Form 22 states that health care expenses should represent the average monthly amount the debtor actually expends on health care, that is in excess of the IRS Allowance, and not reimbursed by insurance or paid by a health savings account.

**Calculate Other Health Care Expenses, in Excess of Allowance:** Equals Line Y minus Line Z. Best Case prints this figure on Line 22 for the debtor's other necessary health care expenses.

# Chapter 7 Means Test:

## Step-by-Step Instructions

### House 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 8 – Insurance and operating 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.

Form 22A Current Monthly Income and Means Test for Chapter 7

Determine IRS Housing allowance based on family size, county, and secured payments

General | Income | Median | Living | Health | **House** | Car | Necessary | Additional | Debt\_Pmt | Summary | Special | All \$

**22A-2 - Part 2: Calculate Deductions from Income - Housing and Utilities** Family size of 2 Cook, IL

8. IRS Housing and Utilities - Insurance and operating expenses: **570.00**

9. IRS Housing and Utilities - Mortgage or rent expense

a. IRS Standard Allowance (from table): **1,572.00**

b. Less: Average Secured Payment: **0.00**

c. Net mortgage/rent expense (\$1572 minus \$0): **1,572.00**

10. Housing and Utilities Adjustment (state basis of contention below): **0.00**

28. Home energy costs in excess of IRS utilities allowance in line 8: **0.00** (documentation required)

DMI Current Monthly Income: **9,545.50**

Less: Deductions: **8,591.50**

= DMI Disposable Income: **954.00**

x 60 month = 60 Mos DI: **57,240.00**

DMI over abuse by \$746.09

Abuse=Yes, 60 mo DI > \$12,475

Presumption of Abuse: Yes

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

**Line 9, 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 9, 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 10 – 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 28 – 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.

IRS Local Housing and Utilities

County: 17031

Name: Cook County

Size of Family	Utilities / Maintenance	Mortgage / Rental
1	485	1,339
2	570	1,572
3	600	1,657
4	670	1,847
5 or more	680	1,877

(Effective 11/01/2014)

Close Help

[U.S. Trustee Means Testing Tables](#)

[Best Case Summary of Means Test Changes](#)

**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.

# Chapter 7 Means Test:

## Step-by-Step Instructions

### 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 11 – 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.

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

**Line 15:** 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 15 to claim an additional monthly expense.

**Lines 13-15 – 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 for which you have a loan or lease payment. The default is for the number of vehicles owned or leased to be the same as the number operated. To specify a different number check the override button.

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.

**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.

**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.

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.

# Chapter 7 Means Test:

## Step-by-Step Instructions

### ■ ■ ■ ■ Car Tab cont.

#### Step 7: Deduct the IRS Transportation Allowances

\* **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.

3. If the debtor is behind in payments, enter the cure amount.
4. In the Means Test Treatment selection on the right side, indicate that the claim is SECURED BY CAR 1, then click OK.
5. 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.
6. 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 section is grayed unless the leased box is checked or you can override.

Secured Creditor Information: Ford Motor Co

Creditor: **Form 22 Means Test** | Form 8 Intention | Notes / POC

**Means Test Secured Debt Payment Treatment**  Exclude claim from Means Test

Information on this tab is only required if Debtor's CMI is over Median

Form B22a Line 42 - Future Payments Due Next 60 Months

Monthly Payment	343.71	Calc Pmt
Escrow Payment	0.00	
x Number of Months	35	(60 maximum)
+ Balloon Payment	0.00	(Due in 60 months)
Total Future Due	12,029.85	(60 months)
60 Month Average	200.50	

Form B22a Line 43 - Past Due Payments

Cure Amount	0.00
1/60 Cure Amount	0.00

Property NOT necessary for debtor/dependent support

Does payment include taxes or insurance?  
 Yes  No

Means Test Treatment

- Secured by Home
- Secured by Car 1
- Secured by Car 2
- Secured by Other

Amount of Claim: 12,000.00

Next tab | OK | Cancel | Help

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

# Chapter 7 Means Test:

## Step-by-Step Instructions

### ■ ■ ■ ■ Necessary Tab

#### Step 8: Deduct Necessary Expenses

**Lines 16-23:** Enter the debtor's actual monthly expense for each category.

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

**Line 16:** Enter a debtor's payroll taxes (since the earlier calculation of current monthly income computes gross income). This field does not include real estate taxes or sales tax.

22A-2 - Part 2: Calculate Deductions for Other Necessary Expenses		
16. Taxes	500.00	Federal, state & local taxes. Do not include real estate or sales taxes.
17. Involuntary deductions	245.00	Required for employment: mandatory retirement plans, union dues, and uniforms
18. Term Life Insurance	375.00	Term life insurance for debtors only. No other types or people.
19. Court-ordered payments	2,800.00	Alimony, child support, and other court ordered payments.
20. Education for ...	0.00	Education for employment or for a physically or mentally challenged child.
21. Child care	0.00	Baby-sitting, day care, nursery and preschool.
22. Health care	0.00	Enter on Health Care Tab >>>
23. Telecommunication	125.00	Pagers, call waiting, caller id, internet - health & welfare of you or dependents
Subtotal 16 - 23:	4,045.00	IRS Other Necessary Expenses Subtotal
Subtotal 6 - 15:	3,932.50	IRS Living, Health Care, Housing and Car Subtotal
24. Total Expenses:	7,977.50	Allowed under IRS Standards, total lines 6 through 23

CMI Current Monthly Income	9,545.50	
Less: Deductions	8,591.50	
= DMI Disposable Income	954.00	DMI over abuse by \$746.09
x 60 month = 60 Mos DI	57,240.00	Abuse=Yes, 60 mo DI > \$12,475

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

# Chapter 7 Means Test:

## Step-by-Step Instructions

### ■ ■ ■ ■ Additional Tab

#### Step 9: Deduct Additional Expenses

There are a number of additional expense categories previously not recognized by the IRS for tax purposes, but are recognized as deductions from current monthly income by debtors in bankruptcy.

**Lines 25-31:** 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.

Line	Description	Amount	Notes
25	Health Insurance	250.00	If debtor does not actually expend this total amount, state actual total average monthly expenditures:
	Disability Insurance	0.00	
	Health Savings Account	0.00	
26	Care and support of elderly, chronically ill or disabled	0.00	
27	Protection against family violence	0.00	
28	Home energy costs in excess of the allowance	0.00	Enter on Housing tab >>>
29	Education expenses for dependent children less than 18	0.00	Limit of \$156.25/child
30	Additional food and clothing expense	38.00	Enter on Living tab >>>
31	Continuing charitable contributions §707(b)(1)	0.00	Chapter 7 has no percentage limit. If case changes to Chapter 13 charity is limited to 15% of gross \$1325(b)(2)(A)(ii)
32	Total Additional Expense Deductions (lines 25-31)	288.00	

CMI Current Monthly Income: 9,545.50  
 Less: Deductions: 8,591.50  
 = DMI Disposable Income: 954.00  
 x 60 month = 60 Mos DI: 57,240.00

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

\* **TIP:** Figures entered on earlier tabs of the Means Test Calculator appear in gray fields. To adjust Line 28, go back to the Housing Tab. To adjust Line 30, go back to the Living Tab.

**Note** For Lines 28–30, 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 31 – Continued Charitable Contributions:** Form 22A does not limit charitable contributions, but Form 22C does.

**“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, Eugene, OR  
Author of Bankruptcy for Dummies



# Chapter 7 Means Test:

## Step-by-Step Instructions

### ■ ■ ■ ■ 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 33 – 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.

**Line 35 – 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 35 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 36 – Chapter 13 Plan Payment and Administrative Expenses

##### Enter a projected Monthly 13 Plan Payment

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

##### 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.

##### 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	Description	Amount
33	Future Payments on Secured Claims (due in 60 months)	301.00
34	Secured Claims "cure amount"	0.00
35	Total past-due Priority Claims	1,500.00
36	Chapter 13 administrative expenses	0.00
37	Total Deductions for Debt Payment (lines 33-36)	326.00
38	Total of All Deductions from Income (line 24+32+37)	8,591.50

DMI Current Monthly Income	9,545.50
Less: Deductions	8,591.50
= DMI Disposable Income	954.00
x 60 month = 60 Mos DI	57,240.00

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

**Line 37 – Total Deductions for Debt Payment:** This figure shows the sum of Lines 33-36 and is entered automatically.

**Line 38 – Total of All Deductions:** This figure shows the sum of all deductions for this test (Line 24 + Line 32 + Line 37). This figure is entered automatically.

**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 34 – Cure Amounts for Secured Claims

# Chapter 7 Means Test:

## Step-by-Step Instructions

### 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 39a:** Lists the debtor's Current Monthly Income.

**Line 39b:** Totals the debtor's Deductions. Organized by category, a listing of monthly expenses is pictured on the right side of the screen.

**Line 39c:** Reveals the difference, yielding the debtor's Disposable Monthly Income.

**Line 39d:** 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.

\*Effective 4/1/19

## Results of Means Test, Based on Different Ammounts 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 \$9,075	Less than \$151.25/mo	Debtor passes the Means Test and can file Chapter 7 without a presumption of abuse.
Greater than \$15,150	Greater than \$252.50/mo	There is a presumption of abuse if a debtor files Chapter 7.
Between \$9,075 - \$15,150	Between \$151.25/mo and \$252.50/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.

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

# Chapter 7 Means Test:

## Step-by-Step Instructions

### 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 7 Means Test:

## Step-by-Step Instructions

### ■ ■ ■ ■ All\$ Tab

#### Step 13: Form 22 ALL\$ Tab

The new "ALL \$" tab displays all the lines with dollar amounts in a compact format that allows you to quickly review the Form 22 data. Double click on a line item to see its corresponding entry on the form.

The "Omit Zero Amounts" checkbox will exclude all figures with "\$0.00" entered in the corresponding field to allow for easier data review.

The "Copy" button allows a user to copy data (line number, line title, primary and co-debtor's numerical entry) to the clipboard to be pasted outside of the program.

The "Refresh" button will update the data displayed on this tab to reflect the numbers currently entered on Form 22 for this debtor.

Line	Description	Debtor 1	Debtor 2
2	Wages, salary, bonuses, overtime, commissions	4,555.00	4,555.00
3	Alimony and maintenance payments	0.00	0.00
4	Regular contributions to household expenses	0.00	0.00
5	Gross income from business, profession or farm	0.00	0.00
6	Rents and other real property income	0.00	0.00
7	Interest, dividends and royalties	0.00	0.00
8	Unemployment compensation	0.00	0.00
9	Pension and retirement income	0.00	0.00
10	Other Income:	0.00	0.00
11	Subtotal of Current Monthly Income	4,555.00	4,555.00
12	Total Current Monthly Income for 707(b)(7)	9,545.50	
12b	Annualized Total Current Monthly Income	114,546.00	
13	Median Family Income for Illinois, 2 in Household	61,443.00	
14	Presumption of abuse: Determined by 22A-2		
Form 22A-2 Chapter 7 Means Test Calculation			
6	Living Allowance for IL Family of 2	1,032.00	

CMI Current Monthly Income **9,545.50**  
 Less: Deductions **8,531.50**  
 = DMI Disposable Income **954.00** DMI over abuse by \$746.03  
 x 60 month = 60 Mos DI **57,240.00** Abuse=Yes, 60 mo DI > \$12,475  
 Presumption of Abuse: Yes

#### All\$ Tab

## Chapter 11 Cases

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### 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

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### 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:

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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, Form 22C-1 Chapter 13 Statement of Your Current Monthly Income and Calculation of Commitment Period is required to be completed.
- If the debtor's income is above the state median...  
The applicable commitment period is automatically 60 months, Form 22C-2 Chapter 13 Calculation of Your Disposable Income also must be completed.

## Parts III, IV, V and VI:

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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 part 2, line 43 in Form 22C-2 Chapter 13 Calculation of Your Disposable Income, list any special circumstances and/or expenses necessary for the health and welfare of the debtor or debtor's dependents, if you contend 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

**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 Schedule D (or E) and the Exclude from Mailing Matrix checkboxes 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 checkbox on the Median Income Tab.

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

**A:** 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:** Check the leased box for the system to allow you to override. The House and Living Tabs of the Means Test Calculator also include override checkboxes 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.

If the debtor is above the median, enter Schedule D and E claims to complete Form 22. For debtors with disposable income between \$8,175 and \$13,650, 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:

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

✳ **TIP:** 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:

- o 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.
- o An Ownership Expense based on the number of vehicles with loans or leases. 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 checkboxes, but are included in Part 4 line 43 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.