

LAYOFFS LEADING TO BANKRUPTCY MAY INTERSECT WITH FAMILY LAW



Mass layoffs announced in October 2012 in California include University of Phoenix, owned by [Apollo Group Inc.](#) shutting down 115 locations as part of its plan to "re-engineer business processes and refine its delivery structure," according to CoStar Group. Layoffs can lead to bankruptcy and family law troubles for many when people are not able to pay their alimony or child support. Diane Gentry is an attorney in California [focused on family law at Law Offices of Diane Gentry](#). She graduated from Golden Gate University law school, and represents clients in domestic abuse, child custody, spousal support, child support, property division, and marital settlements. With continued unemployment news, divorced spouses who have child and spousal support requirements might want to revise their support orders. California is a community property state. Under California Family Code Section 2621, premarital debts, such as child support from a relationship prior to marriage, usually go to the spouse who incurred the debt without offset from the separate or community assets of the other spouse. According to Family Code Section 2622(a), debts incurred during marriage, but before physical and permanent separation are divided equally between spouses, unless there is equal distribution of the community estate, a personal service business, or liability not benefiting the community estate such as gambling debt. Debts incurred after marriage separation, such as when the parties live in separate homes, but before dissolution of marriage go to the spouse who incurred the debt without offset from the other spouse according to Family Code Sections 2623(a), 2627, 2641(b)(2) and (c). Post-separation judgment debts go to the spouse who incurred the debt such as when the spouse is liable to a third party for an accident without offset under California Family Code Section 2624. Filing bankruptcy from an unplanned job loss or other financial crisis does not modify child support, but may alternate spousal support. Child support orders are priority debts, and need to be paid before paying other debts. Child support arrears are made after current child support. In a bankruptcy 341 Hearing, the debtor may be asked to submit child support orders to the trustee and bankruptcy court for review. For spousal support, if there is a marriage debt, a spouse may liable for the community debt if just one spouse files bankruptcy. If a spouse filing bankruptcy gets a marriage debt discharged, then that spouse has less need for support. If the other spouse becomes responsible for the marriage debt entirely, then that spouse has less ability to pay support orders. The spike in layoffs may necessitate counseling by a [family law attorney](#) when debt problems intersect with family affairs.