

# DOWNLOAD PDF GETTING MONEY TO CREDITORS WHEN THE CORPORATION CANT PAY

## Chapter 1 : Creditor - Wikipedia

*It's also possible that the creditor could get a court to order your bigger customers and clients to pay any money they owe you directly to the court. However, most creditors won't go to these lengths to get your property.*

Keep reminding the creditor during your case. If you are execution proof tell the creditor. Even if you do not have the money to pay the debt, always go to court when you are told to go. A creditor or debt collector can win a lawsuit against you even if you are penniless. The lawsuit is not based on whether you can pay—it is based on whether you owe the specific debt amount to that particular plaintiff. Even if you have no money, the court can decide: If you lose your case The judge has already decided that you owe money to the plaintiff. The judge has not decided how you are going to pay the plaintiff back. The creditor has to follow a second step to collect the money you owe. They will hire a sheriff or a constable. The sheriff or constable will bring you a copy of the execution and take your car or put a lien on your house. If you are execution proof the creditor cannot take any of your assets or income even though they have a judgment against you. If some of your stuff or some of your income is protected by exemptions, you need to know what and how much so that you can make sure that it is not taken from you. If you know what exemptions protect your income or things , you can tell the judge and the judge will not order you to pay from those assets and income. Agreements when you do not have Money to pay the debt: The plaintiff and the judge will probably ask you again and again if you can pay anything towards the debt. They will also ask if you are willing to enter into a repayment plan. A repayment plan is an agreement with the creditor that you will pay back the debt by paying a set amount every month. Only agree to a repayment plan if you really agree. If you do not agree with the amount stated, or you cannot pay back any amount every month, do not agree to a repayment plan. If you have income that is execution proof a court cannot order you to pay back the debt from that income. But if you agree in a repayment plan to pay a sum out of the protected income, the court can make you pay.

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## Chapter 2 : What Happens to the Debt When You Close an S Corporation? | Your Business

*If your company or business has been in the red for a while, and you cannot seem to be able to pay off your business debts, your creditors may start looking for money. They can do this by threatening legal action against you or your business.*

Share A reader asks some great questions about judgments. They give us the opportunity to talk about what judgments are and how they work. Should I be worried about that? What is a judgment anyway? What is a judgment? Obligation resulting from verdict: How does a creditor or collector get a judgment against you? In order to get a judgment against you, the creditor or collector must take you to court. The judgment will be filed with the court, and once that happens, it is public record. That means it will likely end up on your credit reports as a negative item. How long can judgments appear on credit reports? Unpaid, they can remain on your credit reports for seven years or the governing statute of limitations, whichever is longer. Once judgments are paid, they must be removed seven years after the date they were entered by the court. How long can judgments be collected? There is a specific time period for collecting judgments, and it varies by state. In addition, in most states it can be renewed. What to do if a Debt Collector Calls ] Can interest accumulate on a judgment? In most states, interest may be charged on a judgment, either at any rate spelled out in state law, or at the rate described in the contract you signed with the creditor. How are judgments collected? One of the main reasons you want to try avoid getting a judgment against you is that creditors may have additional ways to collect once a judgment has been issued. If your family is in financial distress and cannot afford to repay its debts, a court judgment that you owe the money may not really change anything. Can I settle a judgment? If you are able to get a lump sum of money from, say a relative, you may be able to offer that to the creditor to pay off the judgment. Just make sure you get any agreement in writing before you pay. Make sure the agreement spells out all the terms of the settlement, including the fact that you will not owe any more money after you make the agreed upon payment. How can I avoid a judgment? Another option is to settle the debt before it goes to court. The creditor may be willing to settle for part or all of the money you owe. Of course that only works if you can manage to pull together money to pay them. If you can, make sure you have a written agreement from them that states they will not pursue the debt in court if you make the payment as agreed. Then check with the court to make sure the matter has been dropped. Story Continues Anything else I should know about judgments? A debt collector that threatens to get a judgment against you or to garnish your wages or seize your property may be making an illegal threat. Plus, an unpaid judgment may prevent you from buying a home or getting credit at a decent interest rate. This post is meant as educational information, not legal advice. Please consult an attorney for legal advice.

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## Chapter 3 : What Can Creditors Do If You Don't Pay? | racedaydvl.com

*Suppose you or one of the other owners pays company bills with a personal credit card, or routinely takes money from the business accounts to pay personal bills. A judge might decide your S corporation is just a legal fiction rather than an independent entity.*

If a debt collector is acting illegally Default notice If you have borrowed money from a company for personal purposes and you are behind on the debt, your lender or creditor under consumer credit law , will issue a Default Notice. Letters of demand are not court documents. Letters of demand are often the last letters a creditor will send you before suing you. If you receive one you must make yourself aware of your legal rights; clarify whether you actually owe the creditor; and check that you owe the amount demanded. Check the details and request an itemised account to clarify all details if you receive a letter of demand from a creditor or their agent. You should also check that the creditor has not run out of time to sue you for the debt. Seek advice from a financial counsellor if you believe the debt fits this description. Back to top When a debt collector becomes involved If your creditor is not willing to wait for payment, they may either engage a debt collector to pursue the debt or sell the debt to a company that specialises in debt collection. In the latter case, you will owe the money to the company that purchased the debt. Make all requests for information from the debt collector in writing and always ask for written proof that you owe the debt before you pay it. You should also ask for written proof that the debt collector is authorised to pursue the debt. Keep a record of all contact from the creditor or debt collector, including dates and times of calls and the name of the person you spoke to. Back to top Debt collectors: Like some of your creditors, debt collectors are required to consider your request for a variation to payment arrangements when you are experiencing hardship. They cannot seize your property unless it is secured by the loan and the loan is in default, or they get a court order against you for your property, and they cannot take your everyday household items. You can ask another person, such as a financial counsellor, to represent you in dealings with the debt collector. Debt collectors can only contact you between specific hours on certain days of the week and they cannot: Debt collectors can only visit your home or workplace if there is no other way to contact you, and they must comply with a request by you that they do not attend your workplace and they may not discuss your finances in front of your co-workers or anyone else. Your options for dealing with the debt If a debt collector is pursuing you for an outstanding debt you owe your options include: If you have no assets, nor the income to pay the debt for instance, if you are on Centrelink benefits , waiting may not affect you in practical terms. If you choose this option, any court order made against you will be listed on your credit report for five years apply for voluntary bankruptcy. You should seek the advice of a free financial counsellor for help on which is the best option for you. For example, you may be unsure what amount to offer to settle your debt. It will depend on how old the debt is, what your income and assets are and the difference between what you offer and the total amount due. Back to top Disputing a debt If you are contacted about a debt you do not owe or if you disagree with the amount of the debt being claimed you have a right to dispute the debt. You may dispute a debt on the grounds that: If you are unable to resolve the dispute you may refer the matter to the relevant external dispute resolution scheme if the debt relates to a telco, a utility bill or a loan such as a mortgage or credit card. Back to top If a debt collector is acting illegally Despite state and federal consumer protection laws, allegations of harassment, coercion and other problems by debt collectors are often reported. The most effective way of stopping unfair or illegal debt collection activities is to first send a written complaint. If it persists you may issue proceedings in VCAT or complain to the relevant industry external dispute resolution scheme. Seek legal advice about the best option for you. Send a copy of your correspondence to the debt collector and keep a copy for your own files.

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## Chapter 4 : Are You Personally Liable for Your Business's Debts? | racedaydvl.com

*Not being able to pay your bills can be difficult and stressful, especially when dealing with creditors. Learn what you to do to deal with your creditors and get caught up on your payments.*

Getty Running low on funds is a problem for entrepreneurs, especially when employees need to be paid. Only half of new small businesses survive beyond their fifth anniversary. According to research provided by the American Bankruptcy Institute , 43, small businesses filed for bankruptcy protection in . When events like this occur, it is not only business owners who are left holding the metaphorical bag. Employees of said businesses not only lose their jobs, but are often left in the dust when it comes to receiving funds owned to them in bankruptcy court. Short of going belly up, many businesses go through periods when they become short on cash, leaving business owners in the unfortunate position of being unable to make payroll for a given period. Instances such as this occur for a variety of reasons including low seasons in certain industries, absent receivables, and a down economy. However, one thing is clear - employees and payroll taxes must be paid by any means necessary. When it comes to entrepreneurs in this predicament, "They have to scramble - family, friends, savings - whatever they can do," says John Seelinger, a management counselor with the Orange County, California branch of SCORE. Granted, this is one of the more dire situations that a small business can find itself in. But there is hope. When it comes to paying employees in a hurry, there are several options that should be considered, including family, hard money loans, lines of credit, and discounts on receivables. But, more importantly, the business should be restructured in a way that prevents episodes such as this from recurring. If you have ever been unable to pay your employees or desire to understand how to negate the risk of this occurrence in the future, read on to discover ways to prevent or rectify this unfortunate scenario. Notify Your Employees Most employers know in advance that they will be unable to make a given payroll. In early and in late , due to downturns in the real estate market, he was unable to pay his employees with existing revenue. When it comes to informing your employees of impending danger early on, Todrin recommends disseminating the news via a top down approach. Find Methods of Financing Once you are aware that you will be unable to make payroll from the profits of your business, swift, decisive, and possibly desperate action must be taken at once. Not paying your employees may not only result in lawsuits, but also serious federal and state tax liabilities. Sinclair says that business owners in this situation have to make an abrupt decision that amounts to three choices - make swift business modifications that result in rapid liquidity, conduct massive layoffs, or close. If none of these options are seen through to fruition, the owner and or controlling parties of the business will be responsible for penalties and fines with regards to payroll taxes to the IRS that can equate to 50 percent of the total that is owed for the year. How can you attain missing funds to pay employees in a crunch? However, in light of recent restrictions on bank lending, gaining rapid access to cash via traditional bank loans, lines of credit, and mortgages is a thing of the past. The first time Turner found himself unable to pay employees was in a down economy, causing the loss of many of his expected receivables to fall through. When those sources of financing reached their limit, they suspended their own salaries. Finally, the Turners had to execute the layoffs of some of their employees. Still liable for their last couple of paychecks, Turner was forced to obtain funds from what is known as a hard money lender. Hard money lenders operate with more lenient lending requirements than traditional banks, and the loans are often backed with real estate as collateral. Unfortunately, due to high interest rates and fees, they are also likened to payday loans for businesses. There still exist companies that, while not defined as hard money lenders, offer quick cash solutions to small businesses. A lump sum payment can be issued to a qualifying business within five days, and the terms of repayment run anywhere from four months to one year. While there is no traditional interest on the loan, Paramount Merchant Funding operates via a "fixed cost to capital. Utilize Available Resources Another method of raising capital in a hurry is through the discount of existing receivables and liquidation of existing inventory. And you raise cash instantly and overnight. You got to play for another day," he says. A

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Bright Spot in the Credit Crunch? Avoid Staggering the Payroll Though you may be tempted to pay employees a fraction of their paychecks in lieu of nothing at all, staggering payments is a tricky process and, in general, is inadvisable. Todrin recommends asking the highest paid, top-level staff members of your company to electively forgo their paychecks for a few days so that lower level employees can receive on-time payments. This is because, while employees may not be receiving their usual paychecks, they still receive daily payments in the form of cash tips. Not paying employees their earned paycheck will not only land the operator of the business in hot water with the IRS, it can result in action being taken by the Department of Labor as well. Department of Labor mandates that an employer must pay covered non-exempt employees the full minimum wage, along with any accrued statutory overtime for a given workweek. Failure to do so is a direct violation of the Fair Labor Standards Act and will result in severe monetary penalties. The best way to do this is to lower your overhead expenses. If you manage to survive this downturn both personally and professionally, Sinclair stresses that making a change means heavily altering your business model and curbing expenses. We are working hand in hand, rolling up our sleeves with you to resolve this," says Sinclair. He also warns business owners that, while a clear message needs to be sent to employees that the owners are shouldering the burdens right along with them, this does not give employees the right to slack off. It is the nightmare of employers to be unable to afford their most valuable assets, their employees. However, employers should remain empathetic to the situations of their employees. Before resulting to layoffs or shutting the business down completely, Seelinger suggests attempting the negotiation of a furlough or a reduction in hours for employees. It may be a catastrophe on your end as the proprietor of the business, but it can be a nightmare for employees who rely on their paychecks for their livelihood and sustenance. Be loathe to neglect the fact that your loyal employees are also due to have their hard work and humility reciprocated, even in hard times.

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## Chapter 5 : Creditor Gets a Judgment Against You - Now What?

*You should negotiate with the creditors with good manners, Ask debt collectors or creditors politely for some time and tell them a story of your life and you will pay them definitely but right now you can't have such money.*

**Taking Money Out of an S corporation** S corporation owners can take money out of the corporation in a variety of ways. Shareholders who work for the S corporation should receive reasonable compensation for the type of work being performed. **Distributions from S corporation Earnings** When a regular C corporation distributes its earnings out of its retained earnings, the distribution is called a dividend. C corporation shareholders report the dividend on their individual income tax return. On the other hand, with certain exceptions, S corporations generally do not make dividend distributions. **When An S corporation Distribution May Be Taxed As a Dividend** Although S corporations generally do not make dividend distributions, there are some exceptions when an S corporation distribution may be taxed as either a dividend or as a long-term capital gain. Then, the decision is made to convert from a C corporation to an S corporation. In addition, since an S corporation shareholder who works for the S corporation is classified as an employee rather than as a self-employed person, distributions are not subject to employment taxes i. The difference is treated as a long-term capital gain. S corporation distributions are generally tax free, with certain exceptions previously cited. You can minimize employment taxes by taking a salary in the lowest reasonable amount for the type of work you perform for the business. Determining a reasonable salary may be done by comparing the average wages paid in the marketplace for similar work. **Loans** S corporation shareholders may borrow from the business. A promissory note should be prepared and properly executed. The note should include normal lending terms. For example, a fair market interest rate, unconditional promise to repay, and a date certain for repayment. **QuickBooks Self-Employed For Freelancers and independent Contractors** - Organize your financial data into one central accounting system on the cloud - Software kept up to date. Have an accounting or bookkeeping question? Email it to me. Site Updated Each Tax Year.

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## Chapter 6 : Taking money out of an S corporation

*Contacting the IRS can be overwhelming under the best of circumstances, but if you're calling to tell the agency you can't pay your taxes, it can be downright frightening. But Weston says you.*

If you want to protect your assets , you need to know where to hide your money, and know how to properly structure certain accounts in order to avoid having someone drain your financial well dry. Here are some places that you can hide your money: Not only can you keep some of your money safe, but you can also earn a tax-advantaged return on the money. The money in your retirement account is protected from liability lawsuits. Additionally, your retirement account might have some protection from bankruptcy and creditors not always, though. Even the IRS is reluctant to levy against your retirement account. Transfer of Assets Consider transferring some of your assets. One place to hide your money is in a business " just make sure that you set everything up properly. If you keep assets in your business, they can be protected from liability lawsuits, and they even might be protected from different creditors. You can also use your business as a shield for other assets. Guru Robert Kiyosaki did this not too long ago. One of his many business declared bankruptcy as a result of a lawsuit, but that business only represented a small fraction of his assets. His personal fortune remained unaffected. You can transfer ownerships of your assets to someone else, or even transfer ownership to a trust. That way, you no longer own the assets, and it is harder for others to come after your money. The Use of Trusts If you really want to figure out where to hide your money, you can make use of certain types of trusts. You can use different asset protection trusts to help you protect your money from lawsuits, creditors, and even from the IRS. However, if you hide your money in a trust, you need to be aware of some of the downsides. First of all, the kind of trust that is most likely to protect your assets is an irrevocable trust. Now, you no longer own the assets; the trust does. The trust can use the money for the benefit of your beneficiaries including yourself. However, you lose a measure of control over your money when you put it in a trust like this. Even with the IRS, the rule is that you have to be able to access your money. Whether you are organizing a business, setting up a trust, or transferring assets in some other way, you should consult a knowledgeable estate planner or attorney. Make sure you understand the process, as well as the restrictions related to your money. Also, realize that putting all of your money into these types of accounts as a response to an impending problem is not an acceptable solution. Creating a trust after the creditors come calling, or after you are served with a lawsuit, can negate the effects of the operation. Figuring out where to hide your money is more about long-term planning and asset protection than it is about stop-gap measures when an emergency presents itself. Have you ever had to hide your money? How did you do it? We respect your email privacy Powered by AWeber email marketing Signing you up! Join the Broke Brigade and get our free report on the top 5 tools for your finances. We hate spam just as much as you Signing you up!

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## Chapter 7 : How to Pay Employees When You Can't Make Payroll | racedaydvl.com

*When it comes to paying employees in a hurry, there are several options that should be considered, including family, hard money loans, lines of credit, and discounts on receivables.*

Instead contact them to explain your situation, said University of Illinois Extension consumer and family economics educator Lois Smith. To begin, do your homework before calling or writing. Be prepared to explain: Follow the conversation with a letter summarizing the agreement and keep copies of your correspondence as well as any reply," she said. Smith advises using the sample letter to creditors at [www.illinois.gov](http://www.illinois.gov). Here are some alternatives to consider when you are negotiating: Tell your creditors about any changes that may affect your payment agreement. If you miss a payment, eventually your bills may be turned over to a collection agency. If you receive a call from a creditor or collection agency: Get the name of the creditor and the name, address, and telephone number of the collection agency. Note the exact amount they say is due. And write down the date and time of each call. Explain your financial situation and how much of the bill you are able to pay, according to your repayment plan. Request a written statement of your account and always keep copies of your correspondence for future reference. Creditors can take several kinds of legal action against you. The case may be settled in small claims court, depending how much is owed. Other actions creditors can take against you include: The courts can force you to pay by seizing your property and selling it. If its sale brings less than you owe, you must pay the difference. You are responsible for the legal fees of foreclosure and the difference between the selling price and the amount owed on the loan.

## Chapter 8 : What happens if I do not have the money to pay the debt or judgment? - MassLegalHelp

*Miss a few payments on credit cards, student loans, medical bills, mortgage, cell phone service or an upside-down car loan and there is a very good chance you will hear from a debt collector demanding money, Actually, you likely will hear from them several times, either by phone or through the mail, because when you pay, they get paid.*

## Chapter 9 : Debt Recovery | Debt Problems | Consolidation Advice

*"But if you owe a large amount of money, and your creditors won't accept reduced payments, you may have to consider more extreme alternatives, such as filing bankruptcy," she said. If you miss a payment, eventually your bills may be turned over to a collection agency.*