

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN**

NOTICE REGARDING TAX REFUNDS IN CHAPTER 13 CASES

On January 20, 2010, in an action brought by the Internal Revenue Service, the United States District Court for the Eastern District of Michigan issued an Opinion and Order Granting Petition for Writ of Mandamus in Case No. 09-cv-13505 (“District Court Order”). The District Court Order prohibits the United States Bankruptcy Court for the Eastern District of Michigan from entering any order confirming a Chapter 13 plan that contains a provision directing the Internal Revenue Service to pay the debtor’s tax refunds to the Chapter 13 trustee. Further, the District Court Order prohibits the Chapter 13 trustees for the Eastern District of Michigan from seeking to enforce any order that has already been entered confirming a Chapter 13 plan to the extent that such order directs the Internal Revenue Service to pay the debtor’s tax refunds to the Chapter 13 trustee instead of to the debtor.

To comply with the District Court Order, the Bankruptcy Court will no longer enforce any order confirming a plan that has already been entered to the extent that it directs the Internal Revenue Service to pay the debtor’s tax refunds to the debtor’s Chapter 13 trustee. The Bankruptcy Court will continue to enforce previously entered orders confirming plans in all other respects. Further, on a go-forward basis, the Bankruptcy Court will not enter any order confirming a Chapter 13 plan that contains a provision directing the Internal Revenue Service to send the debtor’s tax refunds to the debtor’s Chapter 13 trustee. The Bankruptcy Court has instructed the Chapter 13 trustees to eliminate such provision in any proposed order confirming plan that is submitted for entry after January 20, 2010 regardless of whether the plan was confirmed prior to or after January 20, 2010.

It is important to note that if a Chapter 13 plan or an order confirming a plan require the payment of tax refunds by a debtor to the Chapter 13 trustee, the debtor remains fully responsible to comply with such provision. The District Court Order only addresses whether the Internal Revenue Service can be ordered to send tax refunds to the Chapter 13 trustees, not whether the debtors must send tax refunds to the Chapter 13 trustees.

January 27, 2010

Phillip J. Shefferly
Chief Bankruptcy Judge