

**76.16A Debtor status permitted — circumstances.**

A city, county, or other political subdivision may become a debtor under chapter nine of the federal bankruptcy code, 11 U.S.C. §901 et seq., if it is rendered insolvent, as defined in 11 U.S.C. §101(32)(c), as a result of a debt involuntarily incurred. As used herein, “*debt*” means an obligation to pay money, other than pursuant to a valid and binding collective bargaining agreement or previously authorized bond issue, as to which the governing body of the city, county, or other political subdivision has made a specific finding set forth in a duly adopted resolution of each of the following:

1. That all or a portion of such obligation will not be paid from available insurance proceeds and must be paid from an increase in general tax levy.

2. That such increase in the general tax levy will result in a severe, adverse impact on the ability of the city, county, or political subdivision to exercise the powers granted to it under applicable law, including without limitation providing necessary services and promoting economic development.

3. That as a result of such obligation, the city, county, or other political subdivision is unable to pay its debts as they become due.

4. That the debt is not an obligation to pay money to a city, county, entity organized pursuant to [chapter 28E](#), or other political subdivision.

[92 Acts, ch 1185, §1](#); [2005 Acts, ch 3, §21](#)