

The Newsletter



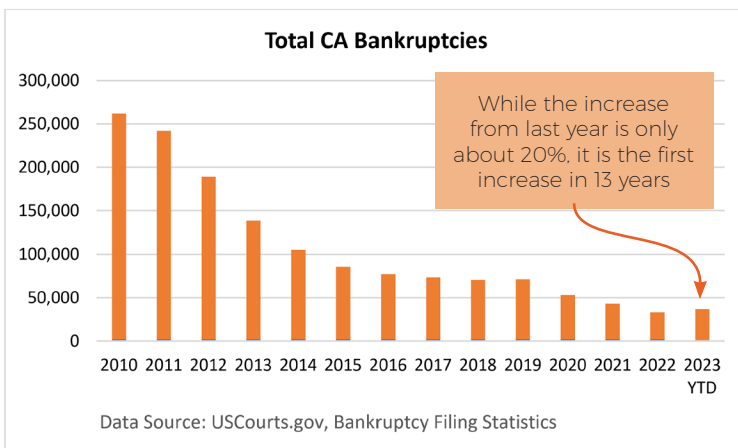
FAUCHER LAW

TAX & BANKRUPTCY

After 13 Consecutive Years of Declining Bankruptcy Filings in the U.S. and California...

Why Are Bankruptcies On the Rise?

Bankruptcies in both California and nationwide have declined annually since 2010, the high-water mark of Great Recession bankruptcy filings. This decline is particularly surprising given the economic disruption of Covid and raises the question: why didn't bankruptcies go up in 2020? Why are bankruptcies on the rise only now, three years after Covid began? Potential client calls to my office confirm the trend in the graph below. This time last year, 10-20% of calls were from people seeking bankruptcy (versus tax) help. Today, almost half the calls I get are for bankruptcy. Why now?



Covid-inspired Policies Over

Last fall, many of the regulations preventing landlords from evicting or suing non-paying tenants ended. I'm seeing many small business owners who broke leases during Covid because their income was slashed by stay-at-home restrictions, but whose **former landlords have only this year been able to sue and get judgments**. Such legal judgements are dischargeable in bankruptcy if the person meets the other income qualifications. I'm also seeing people who were sued for other matters before Covid began, **but their non-rent-related lawsuits only recently ended because of the case backlogs caused by Covid** shutdowns of the courts.

Debtors Wait to File Bankruptcy

Governmental support policies such as PPE and SBA loans and economic support payments surely account for why bankruptcies didn't sky-rocket in 2020 and 2021. But **bankruptcies are always a lagging indicator of economic hard times**. Why? Most people struggle with debt problems for

years, hoping the next quarter or year will be better, before turning to bankruptcy as a solution.

Inside Stories:

- Bankruptcy to Get Rid of Tax Debt
- Clients' Feline "Consultants"
- Sebastian Tackles Objections to BK
- No-Time-to-Cook Chicken Recipe

Many drain savings accounts, sell assets and run up credit card debt, waiting for their financial fortunes to change. Indeed, debtors must first deplete most of their assets and resources to qualify for chapter 7 bankruptcy. My clients come to bankruptcy reluctantly; no one has ever entered my office crowing "Whee! I'm filing bankruptcy to stiff my creditors!". **What I've seen in the increasing number of clients needing to explore bankruptcy are people who were dealt crippling financial blows by Covid, tried mightily for several years to right their finances, and finally understand their only good alternative is to use bankruptcy to discharge their debts and start anew.**

Cost of Living

I know I'm not the only person who compares pre-Covid with today's prices and thinks "Really?!". A simple lunch cost me \$10 before Covid; it's never less than \$20 now and I'm not eating more than I used to. Water and electricity are both up over 50 percent in three years - well above the government's "official" six percent average annual rate of inflation since 2020. By the way (and pardon a brief rant), **what good is an inflation index that doesn't include most of the things I buy regularly?** A box of Costco popcorn (for the hens at Faucher Family Farms, not me) used to be \$8.99; it's almost \$14 now. I hyperventilate every time I pull up to a gas pump and fudgetabout my homeowners' insurance rates: I'm ready to torch my house myself before the next wildfire does, and I'm on the Oak Park Fire Safe Council! This **crazy inflation has surely been like throwing gas on the flames of financial distress for many people, pushing them into a bankruptcy they might have avoided** if the cost of living weren't rising faster than the incoming tsunami wave of bankruptcies in this county. If you're having trouble managing debt, give me a call.

Got IRS and California State Tax Debt?

Conditions for Getting Rid of Tax Debt in Bankruptcy

People often ask why I practice tax and bankruptcy law. After all, the two aren't obviously linked. The answer lies in the fact that tax debt can be erased in bankruptcy. Back when I was at the IRS, I was the attorney in the Houston office who represented the IRS when it was a creditor in a bankruptcy. That's how I learned about bankruptcy law.

Both IRS (federal) and FTB (state) tax debt can be eliminated with bankruptcy if the following conditions are met. **First, the tax debt must be three years or older.** Part of bankruptcy planning thus should include waiting to file bankruptcy until the tax debt is sufficiently

old to be dischargeable. Second, **you must have filed a tax return** for the taxes to be dischargeable. If the IRS created a substitute return for you (the most common occurrence if you fail to file), then that tax debt is never dischargeable in bankruptcy. Finally, **there can be no fraud on the return.** Fraud occurs (and is prosecuted) so infrequently that this really isn't an issue with vast majority of tax returns. Call me if you have tax debt you cannot pay.

Faucher Law's Felines' Halloween

While watching *The Little Mermaid*, Sebastian got the idea to be the Feline Crustacean for Halloween. He was singing "Under the Plea" until I told him to knock it off - we're not Criminal Lawyers or the DA. Meanwhile, Milo wore a Protest Costume. When asked why he dressed as a bat, Milo said its batty he's still an Intern and wants Sebastian's job. I say it's time to reevaluate my non-human staff. Or at least refuse to publish photos of their costumes in future Newsletters.



Clients' Feline "Consultants"

Apparently, Sebastian isn't the only Feline helper in the Faucher Law Metaverse! Check out 15-year-old Annie N. When my client sent Annie's photo, Karen took one look and exclaimed, "Oooh! New Newsletter feature!" So, here's our invitation: send photos of your felines (to kschnietz@sbcglobal.net) helping you in your office and we'll publish it.



Follow **Sebastian.the.Feline.Paralegal!** That's right: he has an Instagram account; John doesn't.



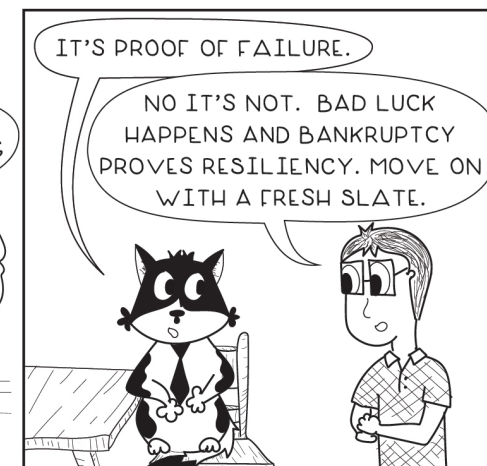
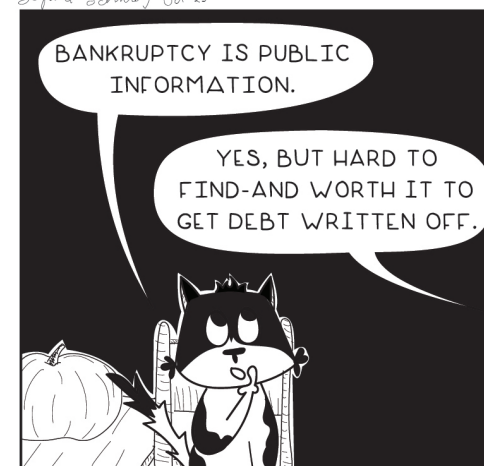
WORTH A THOUGHT...

Be thankful for what you have; you'll end up having more. If you concentrate on what you don't have, you will never, ever have enough.

-Oprah Winfrey



Sebastian the Feline Paralegal



Got-No-Time-to-Cook Indian Chicken Curry

No time to cook but you don't want to go out or order in? Here's Karen's solution when we have no time or energy for cooking, but still want a quasi-home-cooked meal. The only true cooking involved is making a pot of rice. You can skip even that by buying a pack of dal, the Indian bread. Sukhi's prepared chicken from Costco lasts for weeks in the fridge, so we tend to have it and the canned ingredients on hand.



Ingredients:

1 cup rice prepared according to package directions, or a pack of the Indian bread, dal	1 pack prepared Indian chicken coconut curry or tikka masala (I use Sukhi's from Costco)
1 regular can each of: coconut milk (not water); diced tomatoes; garbanzo beans	Optional: additional cans of what you like such as green beans, mushrooms, corn

Instructions:

1. If making rice, start rice according to package directions.
2. Drain canned items requiring draining, like garbanzo beans. Do NOT drain the diced tomatoes - both juice and tomatoes go in the pan. Cut and open the packs of chicken into the pan, turn on medium low heat, add the tomatoes, coconut milk and beans, and other canned items. Stir and heat until hot, about 5-7 minutes. Serve over rice or with dal.
3. Have someone else clean up because you worked so hard.

(6-8 servings)

WELCOME TO FAUCHER LAW

John D. Faucher worked for 10 years as an IRS trial attorney and has been in private practice since 2008. He and his team speak the legal language. They know the **tax and bankruptcy systems** and can help you get the best result. Have other legal issues? Call us. We'll find the lawyer who's right for you, your friends, or family.

(818) 889-8080
FaucherLaw.com

Like a Tsunami Wave...

Bankruptcies are Rising

When Covid began, I predicted a tsunami-like effect: bankruptcy filings would decline, returning to sea like the retreating tide because of pandemic-related supports. Then bankruptcies would come crashing back shortly after Covid-



related economic support policies ended. In this issue of **The Newsletter**, I overview the causes of the “bankruptcy-tsunami” that began earlier this year. Also inside, I remind readers that **tax debt can be wiped out by bankruptcy** under certain circumstances; a client shares a photo of his Feline Helper, in a new feature on **Client Feline “Consultants;”** and my cat “consultants” show off their Halloween finery. Then, **Sebastian, my Feline Paralegal**, has a comic response to the main objections to bankruptcy. Finally, Karen shares a **got-no-time-to-cook chicken recipe** that takes 20 minutes, which is about all the time we have many nights at this time of the year.