

The Newsletter



# FAUCHER LAW

TAX & BANKRUPTCY

## Sharp Increase in Business Bankruptcies: Especially for Restaurants, Contractors and Realtors

I've had a 50% increase in the number of people calling me for bankruptcy this year over last year. Nationwide, bankruptcy filings are up almost 20% in 2025. Indeed, this is the second, consecutive year that bankruptcies – both business and personal -- have increased. **I'm getting more calls from small business owners than I am from individuals.** Particularly hard hit are owners of restaurants, contractors and real estate agents. Why?

### INSIDE STORIES

- John Does Italy & Germany
- Sebastian's Friends Need Bankruptcy
- Squash Soup Recipe

### Restaurants

Restaurant owners have been hard hit nationally, but uniquely so in the LA area. First, some of the lengthiest, mandated-Covid closures in the country financially weakened area restaurants, many of whom haven't seen traffic return to pre-pandemic levels. Second, wages have increased sharply since 2020, with LA posting some of the highest minimum wages in the country. Food inflation has been significant, clocking in at 25% since 2020, with coffee rising an astonishing 160%, beef 70% and fresh produce 35% in that time. Third, the 2023 writer's strike and subsequent contraction of the entertainment industry, and this year's wildfires and crackdown on undocumented immigrants, have sharply lowered restaurant visits in many LA neighborhoods. Finally, many people are cutting back on discretionary spending in anticipation/fear of upcoming unemployment. Unsurprisingly, **LA has one of the highest rates of restaurant closures in the nation this year.** And a lot of those owners are coming to me because the economics of their restaurant simply don't work anymore.

### Realtors

Since the real estate boom of Covid ended in early 2023, the California real estate market has faced many challenges: mortgage rates have more than doubled since 2021's low 3% average, home inventory has been stagnant or declining as homeowners with 3% mortgages stay put rather than move,

and homeowner's insurance has increased 20% annually, as more Los Angeles area homeowners are dumped from private insurance due to increased wildfire risk. In response to these challenges, as well as a sense of general economic anxiety this year, **the number of homes sold in California declined almost 6% in 2025, with the average sales price declining 2%.** All but the top-selling real estate agents have been hit hard by this decline, which comes on the heels of 2024's settlement of the lawsuit against the National Association of Realtors which caused the average Los Angeles area realtor's commission to decline from just under 6% to about 5%. As a result of all these factors, the number of real estate agents filing bankruptcy – particularly those who sold under 10 homes during boom years – has ballooned.

### General Contractors

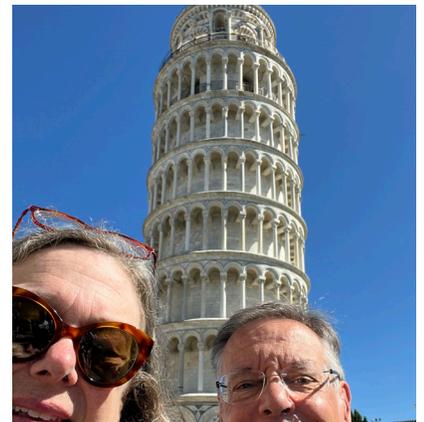
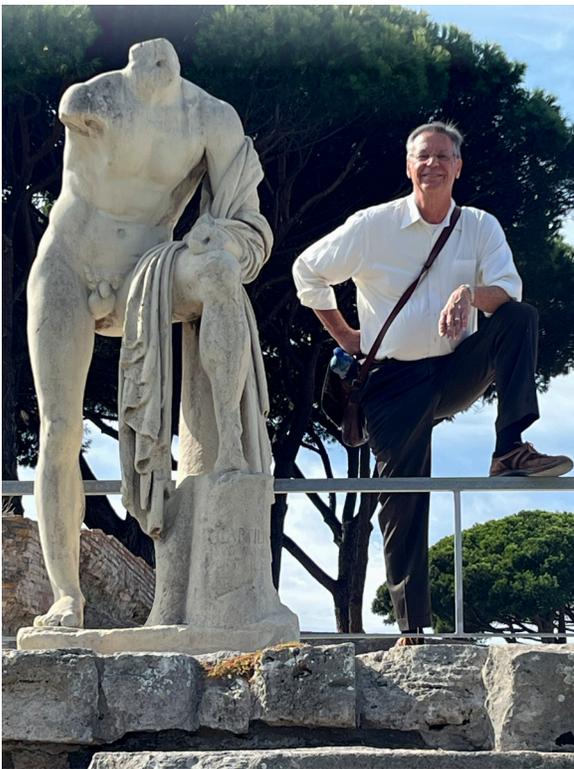
Slowing homes sales have cut into business for general contractors, and tradesmen such as electricians and plumbers. Owners of building trade businesses have also faced a 35% increase in the cost of building materials, particularly lumber and steel, since 2020. Tariffs imposed in 2025 have contributed substantially to the increased costs. Labor shortages have also hit the industry hard, as enforcement of undocumented worker laws has reduced labor supply and thus increased wages contractors need to pay. Unsurprisingly, **I see a lot of tax debt with contractors: one of the only ways for many to make payroll in the short term is to not remit payroll taxes** (Medicare and Social Security withheld from employee paychecks) to the federal government, in the hopes that business will improve shortly and they'll be able to repay what they've stiffed the government. That doesn't always work. Call me if you're under financial stress.

**JDF**



Despite being forced into costume for the Faucher Law Halloween Party, I am still answering questions. Call us! 818.889.8080

Many readers know I just returned from a trip that began with Oktoberfest in Munich where, in addition to hoisting liters of beer (the only size available), I enjoyed singing along to Neil Diamond's "Sweet Caroline" (sung at least once hourly) and chowing down on wurst and schnitzel, but I did NOT dance on the tables in lederhosen. I did buy a Tirolean jacket, however. From Munich we drove through Italy, stopping in dozens of wonderful cities and towns. I didn't realize how much eating and drinking was involved until I saw these photos. I was there for the culture but obviously wasn't going to say no to the food and wine. And, no, I didn't take Sebastian with me (someone had to work). Just Karen and our friends Ira and Melissa.





## Butternut Squash Soup

**Nothing screams fall like a squash!** This soup can be made vegan by using vegetable broth, or non-vegan by using chicken broth. Both are the perfect start to a Thanksgiving feast.

### Instructions:

- Heat the oil in a large pot over medium heat. Add the onion, and several grinds of fresh pepper and sauté until soft, 5 to 8 minutes. Add the squash and cook until it begins to soften, stirring occasionally, for 8 to 10 minutes.
- Add the garlic, sage, rosemary, and ginger. Stir and cook 30 seconds to 1 minute, until fragrant, then add 3 cups of the broth. Bring to a boil, cover, and reduce heat to a simmer. Cook until the quash is tender, 20 to 30 minutes.
- Let cool slightly and pour the soup into a blender, working in batches if necessary, and blend until smooth. If your soup is too thick, add up to 1 cup more broth and blend. Season to taste and serve parsley, pepitas, and crusty bread.

3 TBS extra-virgin olive oil	1 large/2 medium yellow onion, chopped
1 tsp sea salt	1 (3-pound) butternut squash, peeled, seeded, and cubed
4 garlic cloves	1 TBS chopped fresh sage
1 TBS minced fresh rosemary	1 TBS grated fresh ginger
4 cups vegetable or chicken broth	Freshly ground black pepper
For serving: Chopped parsley, toasted pepitas, crusty bread	Equipment: 5-8 Quart Dutch oven and Blender

Makes 6-8 portions

## 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**

## *Hard-hit in Southern California are Restaurants, Contractors & Realtors* **Bankruptcies Up Nationwide and at Faucher Law...**



**B**ankruptcies are up nationwide. Business bankruptcies, in particular, are up at Faucher Law. In this issue of **The Newsletter**, I explain why so many of my business bankruptcies this year are of restaurants, contractors and realtors. November is gratitude month for me: I'm thankful to share photos of my recent vacation to Germany and Italy – the first real trip I've taken since 2018 (because I've been so busy helping Sebastian the Feline Paralegal handle client tax and bankruptcy matters). Also in this issue, a recipe for butternut squash soup (a perfect accompaniment to your Thanksgiving meal), and Sebastain's "comic" take on the unhappy topic of bankruptcy.