

The Newsletter



FAUCHER LAW
TAX & BANKRUPTCY

Contradictory Figures Could Add Up to Recession

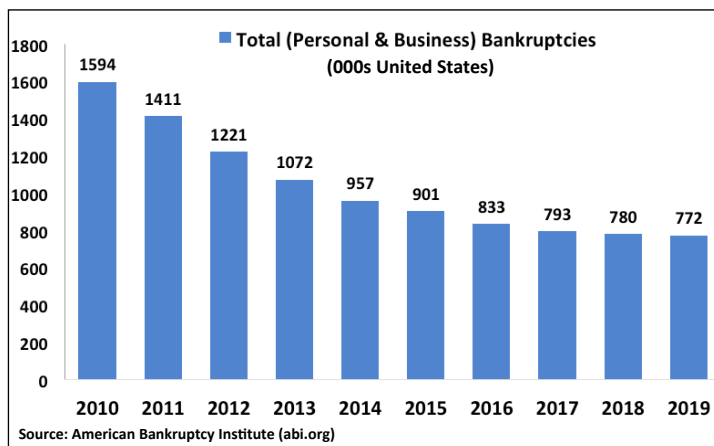
Bankruptcy Stats Down, But Calls Up

I practice tax and bankruptcy law (some kinds of tax debt can be discharged in bankruptcy, as readers of this Newsletter may recall). Three years ago, I barely had any bankruptcy clients. But what potential clients are calling about is changing. During 2017, 10 percent of new-client calls were about bankruptcy, the rest were for tax issues. In 2018, bankruptcy-related calls doubled to 20 percent of inquiries, and last year a third of calls were for bankruptcy. But, in the past three months, fully *half* of incoming calls have been for people needing to explore bankruptcy.

What's going on?

After all, GDP growth last year was 2.2 percent and is expected to be about the same this year. We're in the 11th year of the longest economic expansion in U.S. history, with business and personal bankruptcies in decline annually since 2010, both nationwide and in southern California.

So why have my bankruptcy-related inquiries spiked? Sebastian, my Feline Paralegal, says it's because I'm such a good attorney (let's take that with a grain of kibble though, since I pay/feed him). I suspect the more likely explanation is that we're headed for recession, and that we'll see an increase in bankruptcy filings soon. The graph below shows the downward annual trend in U.S. bankruptcies, but recent monthly figures show that there were four months last year in which the number of bankruptcies filed actually increased over the prior month, even though the year-end figures were slightly lower in 2019 than 2018. Notice also how bankruptcies seem to have bottomed out in the past three years from their peak in 2010 suggesting, perhaps, that the only place they can go from here is up?



INSIDE STORIES

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So what's driving increased bankruptcies, at least in my practice? Here's what I've been seeing:

Questionable Choices. A very small number of bankruptcy inquiries are driven by what some people might see as irresponsibility, but what I see as bad circumstances. Things like people who lived off credit cards in the hopes the bonus or commission comes in the next month, or who were too intimidated by the paperwork to file tax returns and then the IRS levied on their accounts, or who were lured by cheap but lengthy loans on luxury cars they had no business buying but were suddenly "affordable" (yes, sounds just like the no-down-payment mortgages 15 years ago that lead to the Great Recession).

Job or Income Loss. About a third of inquiries are from people who have had significant income loss, either from unemployment or divorce. Many of the people hit by unemployment are often newly-employed by the time they come to me. Perhaps the new job has given them hope and thus the ability to put the financial setback behind them? Divorce also devastates many people's finances: alimony/child support is often significantly less than marital disposable income; alimony payments are often steep; and divorce can saddle one or both spouses with big legal bills.

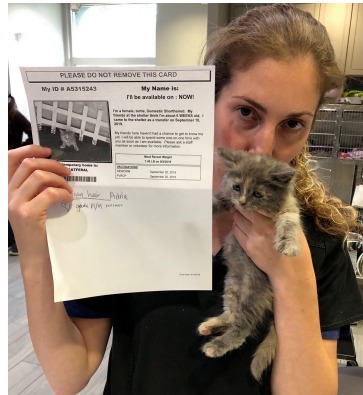
Business Setbacks. About half the bankruptcy-related calls I'm getting are from small business owners experiencing decreased sales, or a lawsuit that has diverted resources. Sometimes the business owner faced terrible choices, such as using sales or payroll taxes to pay suppliers and employers (thinking things would soon improve), rather than sending those taxes to the state, as required. In almost all of these cases, I take the business owner through individual bankruptcy (because the business failed to provide a good living), rather than filing a corporate bankruptcy. **JDF**

NEXT ISSUE: Why I recommend individual rather than corporate bankruptcy for business owners.

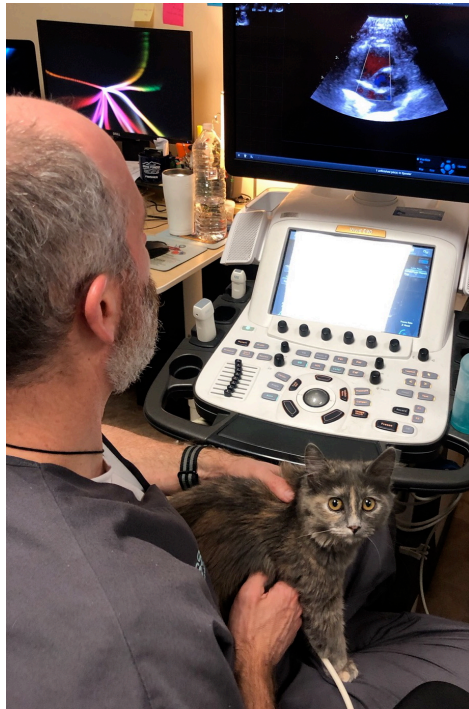
GOOD THINGS GOING ON

Pet Care to Spare Pets

There are many people who improve our community. In this first installment of **Good Things Going On**, I'd like to give a shout-out to Healthcare for Homeless Animals, a nonprofit that funds medical care for sick, injured and unweaned animals at the Agoura Animal Care Center (part of the L.A. County Animal Control system). Prior to HHA's founding in 1996, sick animals entering the shelter were often euthanized because there were resources only for very basic medical care. Since HHA's founding, almost every animal receives the medical care it needs.



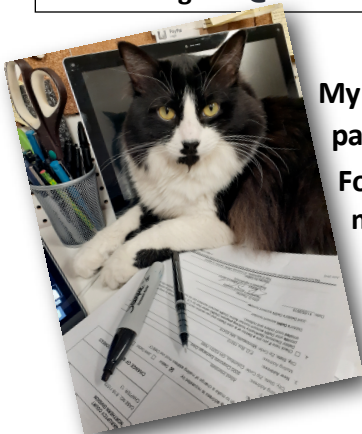
HHA does this by (1) raising money to pay for vets and (2) training volunteers to take sick or baby cats into their homes until they are healthy or old enough to be put up for adoption. The animals heal and grow much better in homes than in the shelter, a stressful place for most animals.



My wife and I (and our daughters when they were little) have fostered cats for over a decade. Pictured here is Adria, a stray kitten and the runt of her litter of nine, who was born with a hole in her heart. We fostered Adria this winter, while she was under the care of Dr. Rachel Wallach, of Oaks Veterinary Urgent Care, and Dr. Steven Cole, of ACCESS Animal Hospital, all coordinated by

HHA. Adria's doing great and has been adopted! You may even recognize her as "The Intern" who appeared with Sebastian on Instagram.

To learn more about HHA, visit healthcareforhomelessanimals.org or on Instagram @healthcareforhomelessanimals



My star Feline Paralegal, Sebastian, has his paws in all aspects of tax and bankruptcy. Follow his musings or (dare we say it?) mewdings on Instagram @sebastian.the.feline.paralegal



Here's a good result for a client who owns a business that sends home healthcare nurses to elderly and disabled people:

Medicare stopped reimbursing the corporation on a timely basis. To keep his employees, my client continued to pay salaries but did not remit payroll taxes because of the cashflow squeeze Medicare put him in. He took out a Kabbage loan, but the debts mounted and within four years his corporation faced liabilities of more than six figures each to the Internal Revenue Service, the California Employment Development Department, and Kabbage.

Although the business is a corporation, my client was personally on the hook for everything because he personally guaranteed the Kabbage loan, and the payroll taxes are always tagged to a "responsible person."

Creditors enforce their liabilities inconsistently. The IRS and Kabbage stopped applying pressure for about a year. During that time, the business turned around: Medicare is now more reliable in its payments, and the corporation looks to other insurers and improved operations for most of its income. I stepped in and reached agreements with the IRS, the EDD, and Kabbage Lending to pay off the liabilities and avoid levies on my client's corporate and personal accounts. That was easy – the hard part is making the monthly payments, but he's been doing it.

"We couldn't have done it without your help," the client said recently. "You were there every step of the way."

Because of his persistence, and a little help from Faucher Law, there are 40 nurses in the Los Angeles area who continue to monitor and improve the health of hundreds of patients.

FAUCHER FAMILY FARMS SNAPSHOT



LET HENS EAT CAKE!

I need to come clean about something: I have a vocational aspiration, other than just being an attorney. I'm also a small-time farmer (anyone else remember the '60s sitcom *Green Acres*, wherein a New York City lawyer moves his socialite wife to a farm he bought, sight unseen, thinking he'd find the "simpler" life?).

Well, I haven't decamped for a rural life yet, but for six years I have brought the farm to me with a flock of hens. I love their eggs. And they're an unending source of entertainment for the neighborhood kids. And me.

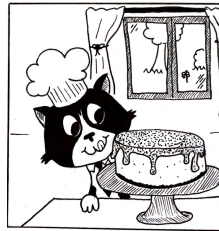
(The snapshot shows the girls enjoying some birthday cake my wife and I just couldn't finish.)

When I work from home, and an IRS Troll annoys me, it's good to go watch the hens scratch for worms and remember what's important: a good breakfast with a strong cup of tea.

Sadly, my flock was reduced by half this winter by clever raccoons who found a vulnerability in the chicken coop's roof before I did (this same problem is well developed in the wonderful documentary *The Biggest Little Farm*). I'm now down to five hens, but I'm just about to buy more chicks!



WANT MORE UPDATES FROM SEBASTIAN? FOLLOW HIM ON INSTAGRAM @Sebastian.the.feline.paralegal



For the Love of Cheesecake

My wife is a great cook. I'm really lucky to eat Karen's cooking so often . . . and now you can, too, with favorite recipes like this one. She first baked this for me when we were dating. I think I was already in love – but if I wasn't before I ate this, I was after!

Crust	Filling
1 cup graham crackers, processed to crumbs	2 cups sour cream
1/3 coarsely chopped walnuts	3 packs, 8 oz each, cream cheese, room temp
2 tablespoons brown sugar	3 eggs, lightly beaten
1 teaspoon cinnamon	1 cup or a little less sugar
¼ teaspoon nutmeg, ginger, allspice (optional)	2 teaspoons vanilla extract
1 stick butter, melted & cooled	

- 1) Preheat oven to 375 F.
- 2) For Crust: combine crumbs, walnuts, brown sugar & spices in large bowl. Add butter & toss to combine. Press mixture evenly into the bottom of a 9-inch springform pan, and approximately ½-1 inch up the side of pan.
- 3) For Filling: Process sour cream, cream cheese, eggs, vanilla and sugar in a blender or food processor (likely will need to do this in 2 batches). Combine filling, mix thoroughly and pour into the crust-lined springform pan.
- 4) Bake for 60-65 minutes, or until top is lightly golden. Cool for 20-30 minutes before removing side of the pan. Refrigerate until ready to serve. Takes about 3-4 hours to cool completely. **Serves 10-12.**

WORTH A THOUGHT. . .

"It is impossible for the tax law to attain stable equilibrium so long as Congress keeps responding to demands to 'level the playing field.' In this area, there is no such thing as a 'level playing field.' tax topography is in the eye of the beholder."

– J. Mark Iwry, Brookings Institution



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 results. Have other legal issues? Call us.

We'll find the lawyer who's right for you, your friends or family.

(805) 591-8139
johndfaucher.com

Client News, Chickens, Cheesecake, Feline Paralegal More Newsletter, More Surprises



As promised, the expanded **Newsletter** is here! Now there's twice the space for all the newsy information you've come to enjoy, such as this issue's focus on how (and why) new-client calls to **Faucher Law** regarding bankruptcy are up, way up.

Then you'll find the new features, including: A comic starring **Sebastian the Feline Paralegal**, recently introduced in The Newsletter and on **Instagram** (move over, Snoopy!); a client story that makes me smile; a look at someone doing good in the community; an update on Faucher Family Farms (spoiler alert: I have chickens); and a recipe (a newsletter must, I hear), this one with fond memories baked in.

Joe Client
456 Maple Street
Santa Barbara, CA 93103

JOHNDFAUCHER.COM

WESTLAKE VILLAGE, CA 91361
SUITE 200
2945 TOWNSCGATE ROAD

FAUCHER LAW
TAX & BANKRUPTCY