

The Newsletter



# FAUCHER LAW

TAX & BANKRUPTCY

*California's Homestead Exemption Increased*

## Easier to File Ch. 7 Bankruptcy Without Losing Home

California just became a much more debtor-friendly state. Specifically, most people filing chapter 7 personal bankruptcy no longer risk losing a house in which they have substantial equity. On September 18th, Governor Gavin Newsom signed California State Assembly Bill SB832/AB1885, increasing the homestead exemption from \$75,000 for singles (\$100,000 for married couples and \$175,000 for people age 65 and over) to at least \$300,000 and as much as \$600,000, depending on the median house price in the filer's county. The law goes into effect with all bankruptcies filed after January 1st 2021.

### How Does Homestead Exemption Affect Bankruptcy?

In a chapter 7 bankruptcy, everything you own and owe is legally transferred to a Bankruptcy Trustee, who can then use your assets to pay your debts. If you have more debts than assets, then those debts are "discharged" or wiped out. You can exempt some things from liquidation by the Trustee: either a "wildcard" exemption of \$29,275 in assets that you select (such as cars and cash), or the "homestead" exemption, now equivalent to the median house price in your county but not less than \$300,000 and not more than \$600,000. (Most retirement accounts are also exempted; this law makes no changes to them).

Prior to this increase, few married clients with more than \$100,000 in home equity (or \$75,000 for singles) wanted to file bankruptcy because the Trustee would sell their house and distribute proceeds in excess of the homestead exemption to creditors. Few clients were willing to lose their house. **Come January 1st, however, any client with \$600,000 or less in equity can keep their house through bankruptcy.** Why as

much as the maximum \$600,000, and not the minimum increase of the exemption to \$300,000? Most of my clients reside in five coastal southern California counties (Orange, Los Angeles, Ventura, Santa Barbara,

and San Luis Obispo) where the median home price is above \$600,000. For example, in 2020, the median price of a home in Ventura county is approximately \$675,000 and in Los Angeles county it's almost \$700,000. The statewide average is about \$635,000.

The California legislature made this change because the value of the former exemption had fallen way behind the value of a typical California house, making California one of the least debtor-friendly states in the country. For example, Texas, Arkansas, Oklahoma, and Florida have unlimited homestead exemptions, while other states had much higher exemptions, such as New York (\$331,000) and Massachusetts (\$500,000). Although I don't practice bankruptcy law outside of California, I'm happy to discuss issues from another state and find you an attorney there to complete the discussion.

### What's the Implication of the Increase?

*The exemption increase is great news for people in financial distress.* And it couldn't come at a better time given the economic devastation caused by Covid. **Many, many more people are now eligible for chapter 7 debt relief without the risk of losing their homes.** Bankruptcy is a much more powerful option if you can wipe out debt without having your home liquidated. This new homestead exemption will allow many of my clients to discharge substantial debts and stay in their homes. Please call me if your debts are becoming unmanageable. As a California Bar-certified specialist in Bankruptcy, I can assess the impact of bankruptcy on your current and future finances, and steer you through the process if it's right for you. **JDF**

### INSIDE STORIES

- John's Annual "Best Of" List!
- Cranberry Walnut Tart Recipe
- Sebastian the Feline Paralegal and John Ponder Covid's Silver Linings



# John's 2020 "Best Of" List

<b>Book</b>	<i>These Truths</i> , by Jill Lepore. A sweeping history of the United States: yes, it's incomplete, and yes, it points out many of the faults of our founding that it is fashionable to focus on; and yet it tells a story of a country I'm proud to be a part of.
<b>Case Outcome</b>	An audit challenge for a Santa Barbara county wine merchant which lowered his tax bill from \$200,000 to \$2,000. Now <i>that's</i> something to toast!
<b>Pet Adoption</b>	A new shipment of a dozen hens increased my flock to sixteen.
<b>Movie</b>	<i>BlacKKKlansman</i> . Spike Lee is an amazing storyteller, and this is a fascinating and often hilarious story of a black police officer's struggles to fit in with his police department while infiltrating a local Ku Klux Klan chapter.
<b>Outing</b>	Easter Sunday drive throughout LA. Because of the heavy lock-down in early April, my family and I saw more of LA in 4 hours than we had in the prior 4 years. Like the Resurrection, the complete absence of traffic was a <i>miracle</i> .
<b>Professional Experience</b>	Attending many more networking meetings with my networking group, <i>Provisors</i> , than I normally do because Zoom made meetings possible across the entire state.
<b>Personal Experience</b>	Having both my adult daughters return safely home - from Atlanta, and from Rwanda - in the first days of the pandemic. The return is bittersweet: while I love having them home, I long for the day when they can resume their independent lives.
<b>Restaurant</b>	<i>The Hudson</i> in Sedona, AZ, on their outside patio. Great food and even better views of Sedona's red rocks. It was the only place we dared travel to in a pandemic - easy to get to by car, lots of trails to hike and great restaurants with outdoor patios.
<b>Sight</b>	The Santa Ynez mountains behind Santa Barbara at sunset. The pandemic has kept most of us local; I need to appreciate the beauty that's close to home.
<b>Story of IRS not doing right</b>	My client owes \$250,000 in taxes, accrued over 10 years. He wants to get right with the IRS. The IRS doesn't know this, because it hasn't contacted him for five years. Good for my client, bad for the country's finances.
<b>TV Show</b>	<i>Dark</i> , Netflix's first German-language series, 3 seasons. A time-travel series with incredible acting and jaw-dropping twists that constantly left us wondering what just happened. It is, however, aptly-named - the themes are, uh, dark (hey! it's German).
<b>Tea</b>	Tazo Prickly Pear tea. Lovely and slightly exotic taste, especially for a guy who grew up in New York without cactus pears.
<b>Wine</b>	Denner's 2017 <i>Mother of Exiles</i> , a cabernet sauvignon blend, Paso Robles, CA. It's been a favorite for years and never disappoints. It's named for the Statue of Liberty. Also fabulous is the 2018 <i>Dirt Worshipper</i> , a syrah blend.



Don't forget to follow Sebastian's contributions to Faucher Law on Instagram @Sebastian.The.Feline.Paralegal

## WORTH A THOUGHT...

A nation of debtors, Americans came to see that most people who fall into debt are victims of the business cycle and not of fate or divine retribution or the wheel of fortune. The nation's bankruptcy laws . . . made taking risks less risky for everyone, which meant that everyone took more risks.

Jill Lepore, *These Truths*, pg. 226



## Cranberry Walnut Tart

This seasonal dessert is always a hit with guests over the holidays. The crust takes a bit of time to make, but it's worth it!

1. Make the shell: stir together the flour, sugar, salt and spices. Add butter and blend until mixture resembles coarse meal. Add yolk-water mixture, and blend (with hands) until dough forms a ball (add a bit more ice water, if necessary). Dust dough with flour, wrap in plastic, refrigerate for 1 hour. Roll out dough to 1/8 inch thickness on floured surface, fit into a 10 or 11-inch round tart pan with removable fluted rim. Chill shell for 30 minutes in refrigerator. Line shell with foil, fill foil with rice and bake shell in a preheated 425 degree oven for 15 minutes. Remove foil and rice carefully, bake shell for 5-10 minutes more until it is pale, golden brown. Let cool.

2. Make the filling: Whisk together eggs, brown sugar, corn syrup, butter and vanilla until mixture is smooth; stir in cranberries and walnuts. Pour filling into the shell. Bake in preheated 350 degree oven for 40-45 minutes, or until golden brown. Tart can be made a day in advance and stored at room temperature. Remove rim of pan and slide tart onto serving plate.

**Serves 8-10.**

For Shell:	For Filling:
1 1/3 cups all-purpose flour	3 large eggs
2 TBS sugar	2/3 cup firmly packed dark brown sugar
1 stick cold, unsalted butter, cut into bits	2/3 cup light corn syrup
1 large egg yolk, beaten with 2 TBS ice water	1/2 stick butter, melted and cooled
1/4 tsp salt	1 tsp vanilla extract
1/4 tsp cinnamon; 1/4 tsp cloves; 1/4 tsp nutmeg	1 1/4 cups chopped cranberries
(raw rice for weighting the shell, approx. 4 cups)	1 cup chopped walnuts

## 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.

**(805) 591-8139**  
**JohnDFaucher.com**

### *Holiday Gift From California Legislature:*

## Homestead Exemption Tripled! Ho-Ho-Ho!



This end-of-the-year issue of *The Newsletter* begins by “unwrapping” a gift from the California legislative elves: the homestead exemption was recently tripled, meaning many more people can file bankruptcy **and** keep homes in which they have \$300,000-\$600,000 in equity! Ho, ho, ho! This is **excellent news for people crushed by debt accumulated in the Covid economy**. I also recap some of my favorites from 2020 (spoiler: no large-scale social events made it into the list); a fabulous cranberry-walnut tart recipe perfect for the holidays; and Sebastian, my Feline Paralegal, and I find some positives in this pandemic year (but we’re still happy, like most of the world, to say good-bye to 2020).