

**President Biden Signs the “Bankruptcy Threshold Adjustment and
Technical Corrections Act” into law**

In response to the economic distress caused by the COVID-19 pandemic, the “Coronavirus Aid, Relief, and Economic Security Act” (the “CARES Act”; P.L. 116-136) was enacted on March 27, 2020, which increased the debt-eligibility limit from \$2,725,625 to \$7,500,000 for small businesses looking to file under the SBRA’s subchapter V. Congress extended the limit last year with the enactment of the “COVID-19 Bankruptcy Relief Extension Act of 2021”, but on March 28, 2022, the debt limit returned back to the original \$2,725,625 threshold that was established under the “Small Business Reorganization Act of 2019” (the “SBRA”).

However, on June 21, 2022, President Biden signed into law amended S. 3823, titled “Bankruptcy Threshold Adjustment and Technical Corrections Act” (the “Act”). The Act raises the debt limit for small businesses Chapter 11 debtors that elect subchapter V relief back to **\$7.5 million** for an additional two (2) years. In addition to the 2-year extension of the subchapter V debt limit back to \$7.5 million, the Act also covers any chapter 11 case eligible under the reinstated subchapter V debt limit that was pending or filed after the March 27 sunset.

In addition, the Act, with the recommendation of the American Bankruptcy Institute’s Commission on Consumer Bankruptcy also raises the debt limit for individual chapter 13 filings to \$2.75 million and removes the distinction between secured and unsecured debt for that calculation.

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