



Senate Passes Coronavirus Stimulus Bill: New Bankruptcy Amendments

Early on the morning of March 27th, the Senate passed the CARES Act. The bill goes to the House of Representatives where it is expected to pass by unanimous consent. The President is expected to sign the bill.

The bill has some key provisions dealing with bankruptcy, which include the following:

First, the newly enacted Small Business Reorganization Act of 2019 (Chapter 13 for small business) will see an increase in the eligibility threshold from \$2,725,625 to \$7,500,000.

Second, the definition of “income” in the Bankruptcy Code for Chapter 7 and 13 will exclude coronavirus-related payments from the federal government from being treated as “income” for purposes of filing bankruptcy. This provision affects the means test calculation.

Third, “disposable Income” for purposes of confirming a Chapter 13 plan shall not include coronavirus related payments.

Fourth, Chapter 13 debtors may seek plan payment modifications, if they are experiencing a material financial hardship due to the coronavirus pandemic, including extending their payments for up to seven years after their initial plan payment was due.

These provisions will sunset in one year.

Finally, there would be a six month repayment holiday with respect to student loans.

There are also discussions on Capitol Hill that the next phase of COVID19 relief may include expanding the dollar limits for Chapter 13 eligibility. The League is also watching to see if dischargeability of Student loans, an increase in Trustee Commissions and the elimination of credit counseling may work its way into future legislation.