



PRESS RELEASE

**For Immediate Release**

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### **Important News for America's Small Business Community**

**Rolling Meadows, IL, June 15, 2022** – Throughout its 127 years of existence, the Commercial Law League of America has consistently promoted and supported the fair, equitable, and efficient administration of collection and bankruptcy laws for all parties-in-interest. On April 7, 2022, the Senate passed amended S. 3823, the “Bankruptcy Threshold Adjustment and Technical Corrections Act” (the “Act”) and on June 8, 2022, the Act was passed by the House. It is now on its way to the President for signature.

The Act reinstates the threshold debt limit of \$7.5 million for Subchapter V of Chapter 11, retroactive to the original expiration date of March 28, 2022. The Act also increases the debt limit for Chapter 13 bankruptcy eligibility to \$2.75 million and removes the distinction between secured and unsecured debt for that calculation.

The Act serves to modify the debt limit qualifications for the Small Business Reorganization Act, or “SBRA,” which addressed significant deficiencies and gaps in the bankruptcy code for small business debtors. The increased debt limit will ensure that small businesses are able to take advantage of restructuring under Subchapter V without having to endure or possibly be prohibited from filing a more costly, time and resource consuming Chapter 11 case. Since its enactment in February 2020, over 3,450 small businesses and individuals engaged in business have taken advantage of filing for bankruptcy under the provisions of the SBRA<sup>1</sup>.

According to a report from the U.S. Small Business Administration<sup>2</sup>, small businesses create two-thirds of net new jobs and drive U.S. innovation and competitiveness. That SBA report indicates that small businesses account for 44% of U.S. economic activity, and are at the forefront of driving innovation, jobs and economic growth in the U.S. Enactment of this legislation will provide these small businesses with the tools to reorganize in an increasingly uncertain economic environment.

The increased debt limitation for Chapter 13 cases is also a long-awaited change. Many individuals with disposable monthly income seeking bankruptcy relief find themselves ineligible under Chapter 7 and over the debt limit to file under Chapter 13. If signed by the President, the Act will raise the current Chapter 13 eligibility limits from \$419,275 of noncontingent, liquidated and unsecured debt or \$1,257,850 of noncontingent, liquidated and secured debt to \$2.75 million of noncontingent and liquidated debts, regardless of whether the debt is secured or unsecured. This will enable many more individuals to confirm Chapter 13 plans which pay creditors a portion, or in some cases 100%, of the debtors’ obligations to such creditors.

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<sup>1</sup> According to statistics maintained by the American Bankruptcy Institute <https://www.abi.org/sbra>

<sup>2</sup> <https://cdn.advocacy.sba.gov>



While passage of the Act is welcomed news to the Commercial Law League of America and the small business community, further action is needed to assist this most important segment of the U.S. economy. The SBRA enhanced debt limit provisions of the Act will sunset two years after enactment, again restricting small business access to the SBRA.

The CLLA has been a vocal advocate of both the SBRA and the Act, and will continue to work hard to make permanent and/or expand these enhanced debt limitations in future legislation.

**About the CLLA**

Since 1895, the not-for-profit Commercial Law League of America has connected experienced attorneys with credit grantors, lending institutions and other commercial credit, bankruptcy and general finance industry members through networking, education, legislative advocacy and specialized legal services. The association's members include attorneys, collection agencies, judges, accountants, trustees, turnaround managers and other credit and finance experts. For more information on the CLLA, please visit [www.CLLA.org](http://www.CLLA.org).

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For additional information about this event or the Commercial Law League of America, contact Dawn Federico at [dawn.federico@ccla.org](mailto:dawn.federico@ccla.org) or by calling 312-240-1400.