



PRESS RELEASE

For Immediate Release

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The President Signs Bankruptcy Legislation Increasing Eligibility Limits for Subchapter V and Chapter 13

Rolling Meadows, IL, June 23, 2022 – On June 21, 2022, President Biden signed into law Senate Bill 3823, the “Bankruptcy Threshold Adjustment and Technical Corrections Act” (the “Act”).

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, for an additional two-year period. 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 SBRA¹.

According to a report from the U.S. Small Business Administration², 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 necessary to reorganize should their businesses encounter financial distress in this increasingly uncertain economic environment.

The Act’s increased debt limitation for Chapter 13 cases is also a long-awaited change. Many individuals with disposable monthly income seeking bankruptcy relief have found themselves ineligible under Chapter 7 and over the debt limit to file under Chapter 13. Now that the President has signed the Act into law, the current Chapter 13 eligibility limits have been raised 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 file under Chapter 13 and confirm plans which will pay creditors a portion, or in some cases 100%, of the debtors’ obligations to such creditors.

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.

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

² <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/>



economy. The SBRA enhanced debt limit provisions of the Act will sunset two years after enactment, again restricting small businesses 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.

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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.

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For additional information about this event or the Commercial Law League of America, contact Dawn Federico at dawn.federico@clla.org or by calling 312-240-1400.