Bill to Increase Subchapter V of Chapter 11 and Chapter 13 Debt Caps Delivered to President Thursday: Bill Would Expand Eligibility for Relief

The Bankruptcy Threshold Adjustment Act, H.R. 7730, which passed the House and Senate unanimously, was delivered to the President Thursday for signing. If signed, the Act would become effective immediately upon signing and provide much-needed relief to small businesses and consumer debtors.

The legislation expands the availability of a small business reorganization under subchapter V of chapter 11 of the Bankruptcy Code by establishing a higher debt cap for eligibility under 11 U.S.C. § 1182(1). Under it, small businesses are eligible for subchapter V relief if their noncontingent, liquidated debts do not exceed $7.5 million (excluding insider debt), whereas the current debt cap is only $3,424,000. The Act would restore the cap that existed during the pandemic and through June 2024, when it sunsetted. The Act also simplifies and increases the debt cap for eligibility for a chapter 13 individual debt adjustment case under 11 U.S.C. § 109(e) by making the calculation easier for consumer debtors. Instead of separate calculations of noncontingent, liquidated secured and unsecured debt as exist now, the Act collapses secured and unsecured debt into one calculation, capped at $2,750,000. The current debt caps are $1,580,125 for secured debt and $526,700 for unsecured debt. The debt caps for both subchapter V and chapter 13 cases adjust periodically under 11 U.S.C. § 104 based on the Consumer Price Index, with the next adjustment occurring on April 1, 2028. The automatic adjustment would apply to the Act as well, if signed. The text of the enrolled bill is here: Text - H.R.7730 - 119th Congress (2025-2026): Bankruptcy Threshold Adjustment Act | Congress.gov | Library of Congress.