



Insights: Alerts

CARES Act | Bankruptcy - Relief for Small Business and Individual Debtors

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Please note: The below information may require updating, including additional clarification, as the COVID-19 pandemic continues to develop. Please monitor our [main COVID-19 Task Force page](#) and/or your email for updates.

CARES Act | Senate HR 748, 116, 2d., Section 1113 (the “CARES Act”)

Summary as of noon on March 26, 2020.

Section 1113 – Bankruptcy

Part (a): The CARES Act increases the noncontingent liquidated debt limit from about \$2.7 million to \$7.5 million for one of the eligibility requirements to be a small business debtor under Subchapter V of chapter 11 of the Bankruptcy Code. As an aside, the small business debtor provisions of Subchapter V were substantially revised in 2019 and took effect on February 22, 2020, so there are very few cases to date filed under newly revised Subchapter V. Subchapter V allows a small business debtor to expeditiously confirm a chapter 11 plan without satisfying all of the requirements of chapter 11. Part (a) applies to cases filed on or after the date the CARES Act is enacted, and sunsets 1 year after the CARES Act is enacted, reverting to the pre-CARES Act language.

Part (b): The CARES Act excludes from an individual debtor's monthly income calculations to determine eligibility for chapter 7 bankruptcy, and from disposable income for payments made to creditors under a plan in chapter 13 bankruptcy, any payments received by the debtor under Federal law relating to the national emergency declared by the President related to COVID-19. The CARES Act also allows for extending the time limit to repay creditors under a chapter 13 plan confirmed prior to the date the CARES ACT is enacted, from a total of 5 years to 7 years if the debtor was impacted by COVID-19. Part (b) applies to cases commenced before, on or after the date the CARES Act is enacted, and sunsets 1 year after the CARES Act is enacted, reverting to the pre-CARES Act language.

Section 4003 – Federal Reserve \$500 Billion Business Loan Program

Part (c)(3)(D)(i)(V): Mid-size businesses that would otherwise be eligible to receive low interest rate loans from the Federal Reserve will not be eligible if they are a debtor in bankruptcy.

Related People



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