



Extension of the Subchapter V Aggregate Debt Limit Under the Bankruptcy Threshold Adjustment and Technical Corrections Act

By: Robert E. Kaelin, Taruna Garg, Jonathan M. Horne, and Zachary J. Gregoricus

On June 21, 2022, President Biden signed into law the Bankruptcy Threshold Adjustment and Technical Corrections Act (the "Corrections Act"), which, in pertinent part, extends for two more years until June 2024, the \$7.5 million aggregate debt threshold for small businesses and individuals seeking to reorganize their debts under "Subchapter V" of Chapter 11 of the Bankruptcy Code. Subchapter V offers eligible small businesses and individuals a less costly and more efficient alternative to restructuring than generally filing under chapter 11. A more detailed description of the eligibility requirements under Subchapter V and its benefits may be found [here](#).

As outlined previously [here](#), the Coronavirus Aid, Relief, and Economic Security Act of 2020 increased the aggregate debt limit for "Subchapter V" Chapter 11 debtors from \$2,725,625 to \$7,500,000. The increase, which was set to expire on March 27, 2021, was subsequently extended for one year by the enactment of the COVID-19 Bankruptcy Relief Extension Act of 2021. Even though the debt increase lapsed in March 27, 2022, the Corrections Act retroactively applies to all cases filed after March 27, 2020 and pending as of the date of the enactment of the Corrections Act, including any cases filed after March 27, 2022. Under the Corrections Act, small business owners with aggregate debts of \$7,500,000 or less will continue to have access to the enhanced protections under "Subchapter V" of Chapter 11.

As the effects of the COVID-19 pandemic persist and inflation remains on the rise, the increased debt threshold will enable more small business owners to become eligible for the streamlined reorganization process provided by "Subchapter V," and allow owners to restructure business debts to help save their businesses and employees' jobs in a timely, efficient, and more cost-effective manner.

Among other benefits, "Subchapter V" requires that a plan of reorganization be filed within 90 days of the filing of the bankruptcy case, eliminates the risk of creditors filing a competing plan of reorganization to potentially seize control of the business away from the owner, and reduces and/or eliminates certain costs typically incurred during a Chapter 11 reorganization, including quarterly fees required to be paid to the U.S. trustee and professional fees.

For more information, please contact:

Robert E. Kaelin at 860.240.6036 or rkaelin@murthalaw.com

Taruna Garg at 203.653.5410 or tgarg@murthalaw.com

Jonathan M. Horne at 617.457.4085 or jhorne@murthalaw.com

Zachary J. Gregoricus at 617.457.4154 or zgregoricus@murthalaw.com

[◀ Back to News & Alerts Search](#)

Related Practices

- Banking
- Bankruptcy & Creditors' Rights
- Bankruptcy Litigation
- Community Banking
- Litigation

2022 Murtha Cullina LLP All Rights Reserved.