

March 29, 2021

CARES Act Expansion of Eligibility for Streamlined Small Business Reorganizations Extended for Another Year

On March 27, 2021, President Biden signed into law the COVID-19 Bankruptcy Relief Extension Act of 2021, which, among other things, allows businesses with debts between \$2,725,625 and \$7,500,000 the ability for another year to take advantage of the streamlined provisions of the Small Business Reorganization Act, sometimes referred to as Subchapter V of Chapter 11.

The Small Business Reorganization Act became law in February 2020, allowing a business with debts up to \$2,725,625 to use a streamlined, less costly process to reorganize its debts. With the passage of the CARES Act, the debt limit was increased to \$7,500,000, greatly expanding the number of businesses eligible to take advantage of this pared-down process. But, that expanded eligibility was only for one year until March 26, 2021.

In anticipation of the sunset of the expanded eligibility provided by the CARES Act, many businesses have filed or planned to file Subchapter V petitions in advance of the March 26th expiration date. Others have anticipated a possible extension of the CARES Act provision while planning a possible Subchapter V filing in case the extension did not come.

With the extension granted by the COVID-19 Bankruptcy Relief Extension Act of 2021, businesses experiencing financial difficulties will have more time to try to resolve their debt issues without resorting to the bankruptcy courts or to delay seeking bankruptcy protection until they are better equipped to deal with the reorganization process and the demands that the bankruptcy laws place on businesses undergoing reorganization.

For a more detailed discussion of the Small Business Reorganization Act, please see our previous Client Alerts titled [What Struggling Businesses Need to Know About The Small Business Reorganization Act](#) and [What Creditors Need to Know About The Small Business Reorganization Act](#).

We Are Here to Help

Rubin and Rudman is committed to helping our clients through these extraordinary times. If you have any questions about Subchapter V, please contact any of the following attorneys at our firm:

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