

CLIENT ALERTS

Bipartisan Legislation Introduced to Extend Bankruptcy Relief Provisions in CARES Act and Consolidated Appropriations Act

3.3.2021

Pursuant to a February 25, 2021 press release issued by the office of Senator Dick Durbin (D-IL)[1], U.S. Senate Democratic Whip and Chair of the Senate Judiciary Committee, Senator Durbin and Senator Chuck Grassley (R-IA), Ranking Member of the Senate Judiciary Committee, introduced a bipartisan bill cited as the “COVID-19 Bankruptcy Relief Extension Act.” This legislation would temporarily extend COVID-19 bankruptcy relief provisions enacted as part of the March 2020 CARES Act and the December 2020 Consolidated Appropriations Act of 2021 (“CAA”).

Specifically, this bill would extend for an additional year the CARES Act bankruptcy relief sunset provisions that were set to expire on March 27, 2021. Most notably, for small business debtors continuing to experience financial hardships resulting from the COVID-19 pandemic, the CARES Act provision that increased the maximum debt threshold for Subchapter V small business debtors from \$2,725,625 to \$7,500,000 would continue for another year, thus allowing more small businesses to reorganize under the streamlined chapter 11 procedures. Other one-year sunset provisions affecting chapters 7 and 13 debtors would also be extended to March 27, 2022.

In addition, this bill would extend from December 27, 2021 to March 27, 2022, several bankruptcy relief sunset provisions included in the CAA, primarily as they relate to chapter 7 and 13 individual debtors, but also to utility companies (requiring continuing service to the individual debtor without a security deposit) and custom brokers who collect and pay duties to Customs and Border Patrol on behalf of importers who file for bankruptcy (exempting them from the clawback provisions of the Bankruptcy Code).

As always, Butzel Long will continue to monitor the situation and will report on any significant changes or developments on this front.[2]

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[1] <https://www.durbin.senate.gov/newsroom/press-releases/durbin-grassley-introduce-bipartisan-legislation-to-extend-cares-act-bankruptcy-relief-provisions>.

[2] This client alert is another in a series of firm client alerts addressing the Small Business Reorganization Act of 2019 and amendments to that chapter and other sections of the Bankruptcy Code as a result of the Covid-19 pandemic. See, *Revisions to Chapter 11 Create New Opportunities for Small Business Reorganization*, dated February 7, 2020; *Cares Act Provides Greater Relief for Financially Distressed Small Businesses under the Small Business Reorganization Act*, dated March 30, 2020; and *New Bankruptcy Relief Provisions for Small Business Debtors and Creditors Impacted by Covid-19 Pandemic under the Consolidated Appropriations Act Of 2021*, dated February 24, 2021.