

# CLIENT ALERTS

## COVID-19 Bankruptcy Relief Extension Act Signed Into Law

3.30.2021

On Saturday, March 27, 2021, President Biden signed into law the Covid-19 Bankruptcy Relief Extension Act Relief Extension Act (the “Act”).<sup>[1]</sup> Identified as H.R. 1651, this culminated the bipartisan efforts of Senators Durbin (D-IL) and Grassley (R-IA) to extend key COVID-19 bankruptcy relief provisions under the March 2020 CARES Act from their original March 27, 2021 sunset date to March 27, 2022.<sup>[2]</sup>

For small business debtors continuing to experience financial hardships resulting from the COVID-19 pandemic, this is good news as the CARES Act provision that increased the maximum debt threshold for Subchapter V small business debtors from \$2,725,625 to \$7,500,000 will continue for another year, thus allowing more small businesses to reorganize under the streamlined chapter 11 procedures.

Also, the one-year sunset provisions in the CARES Act involving the exclusion of Covid-19-related government payments from the calculation of “current monthly income” in the case of a chapter 7 debtor and “disposable income” in the case of a chapter 13 debtor were extended to March 27, 2022; along with the CARES Act provision that gives chapter 13 debtors experiencing material financial hardship due to the coronavirus the right to modify a chapter 13 plan to extend plan payments for up to seven years from the date the first payment was due under the original confirmed plan.

The Durbin-Grassley bill, as first introduced, included provisions that sought to extend from December 27, 2021 to March 27, 2022, several bankruptcy relief sunset provisions included in the December 2020 Consolidated Appropriations Act of 2021. These provisions related primarily 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

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(exempting them from the clawback provisions of the Bankruptcy Code). The Senate version of the Act, which was the version ultimately signed into law, did not include these provisions.

For further information, feel free to contact Tom Radom (the author) or Max Newman.

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[1] <https://www.congress.gov/117/bills/hr1651/BILLS-117hr1651enr.pdf>

[2] We reported on the original Durbin-Grassley bill in a March 3, 2021 client alert entitled *Bipartisan Legislation Introduced to Extend Bankruptcy Relief Provisions in CARES Act and Consolidated Appropriations Act*.