

Bankruptcy Code Changes in the CARES Act

Article

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The recently passed CARES Act provides various types of relief as a result of the coronavirus pandemic. One source of that relief comes in the form of temporary changes to the bankruptcy code, which, for the next year, may provide some relief to individual and small business debtors.

Here are the highlights of those changes:

- Allowing more small businesses to qualify to file for bankruptcy protection under the more streamlined and less costly new subchapter V of Chapter 11 by temporarily increasing the maximum amount of debt permitted from \$2,725,625 to \$7,500,000.
- Excluding coronavirus-related payments received from the federal government from being treated as “income” for purposes of qualifying to file cases under Chapters 7 and 13 and from being treated as “disposable income” for the purpose of calculating Chapter 13 plan payments.
- Permitting, with court approval, modifications to existing Chapter 13 plans based upon hardships resulting from the coronavirus.

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