BURR ALERT

CARES Act Temporarily Amends the Bankruptcy Code

By Addie Wyatt

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On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") into law. Among other things, the CARES Act temporarily amends the Bankruptcy Code in response to the COVID-19 pandemic. The CARES Act temporarily (1) modifies who may be a debtor under the Small Business Reorganization Act (the "SBRA"), (2) excludes COVID-19-related payments from income calculations, and (3) allows chapter 13 debtors to modify their plans if they are experiencing financial hardships due to the pandemic. Each modification expires March 27, 2021, one year after enactment.

Specifically, Section 1113 of the CARES Act makes the following temporary changes:

- Increases the eligibility threshold to file under the SBRA, from businesses with debt less than $2,725,625 to businesses with debt less than $7,500,000, for cases commenced after enactment of the CARES Act;
- Amends the definition of "income" under chapters 7 and 13 to exclude COVID-19-related payments from the federal government;
- Clarifies that, for the purposes of confirming a chapter 13 plan, the calculation of disposable income does not include COVID-19-related payments; and
- Permits individuals and families who are experiencing a material financial hardship due to COVID-19 and are currently in a chapter 13 to seek plan modification. The allowed modification includes extending payments for up to seven years after their initial plan payment was due.

As the COVID-19 pandemic unfolds, we will continue to be monitoring updates and providing guidance. If you need assistance navigating the bankruptcy process in light of COVID-19, please contact our Creditors Rights & Bankruptcy Team.

To discuss this further, please contact:

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