

Small Business Alert – "Subchapter V" Changes

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By: Rachel Parisi, Christopher Mazza

If you are a small business with \$2,725,625 to \$7,500,000 in liabilities, there are only 10 days left to take advantage of the streamlined and cost-efficient "Subchapter V" bankruptcy process authorized by the Small Business Reorganization Act of 2019 (SBRA). On March 28, 2022, only businesses with noncontingent, liquidated debts less than or equal to \$2,725,625 will be eligible.

The debt limit of \$2,725,625 was an original restriction contained in the SBRA, which first took effect on February 19, 2020. As a result of the financial ramifications on businesses caused by COVID-19, Congress temporarily increased the debt limit to \$7,500,000. The temporary increase was originally scheduled to expire on March 27, 2021, but was extended to March 27, 2022. While there has been some discussion that Congress will make the increase permanent, at present, the debt limit is scheduled to revert back to \$2,725,625 on March 28, 2022. Therefore, if your small business is struggling with debt and has debt in excess of \$2,725,625, there is a limited window to act to ensure eligibility for a Subchapter V bankruptcy case.

If you would like to explore a Subchapter V proceeding, please contact the Porzio Bankruptcy Team right away to discuss your options.

For further information about Subchapter V cases, you can access the following Porzio materials:

[Considerations that Loom Large Over the Small Business Debtor](#)

[United States' Small Business Reorganization Act: Timely Legislation Makes Chapter 11 More Attractive For Small Businesses](#)