

Insights

President Signs COVID-19 Bankruptcy Relief Extension Act of 2021

March 31, 2021

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As noted in prior Alerts, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which became law March 27, 2020, included various COVID-19 pandemic-related bankruptcy relief provisions which were set to sunset on Saturday, March 27, 2021. Due to quick Congressional and Presidential action last week, on Saturday, March 27, 2021, the President signed the "COVID-19 Bankruptcy Relief Extension Act of 2021" ("**2021 Extension Act**"). According to the **House Committee on the Judiciary**, through **March 27, 2022**, the 2021 Extension Act :

- Preserves the aggregate secured and unsecured debt eligibility threshold of the Small Business Reorganization Act of 2019 ("SBRA") for businesses filing under subchapter V of chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.* ("Bankruptcy Code"), at \$7,500,000.
- Amends the definition of "income" for chapters 7 and 13 of the Bankruptcy Code to exclude federal COVID-related relief payments from being treated as "income" for purposes of filing bankruptcy.
- Clarifies that the calculation of disposable income for purposes of confirming a chapter 13 plan does not include federal COVID-related relief payments.
- Permits individuals and families currently in chapter 13 to seek payment plan modifications for plans confirmed before the date of enactment of the 2021 Extension Act if they are experiencing a material financial hardship due to the coronavirus pandemic, including extending their payments for up to seven years after their initial plan payment was due.

Takeaway

The 2021 Extension Act effectively preserves the *status quo* regarding the above-noted COVID-19 pandemic-related bankruptcy relief provisions through March 27, 2022.

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