

**Bankruptcy Provisions of the
Coronavirus Aid, Relief and Economic
Security Act (CARES Act)**

CARES Act, effective March 27, 2020

United States Bankruptcy Court,
District of Rhode Island



The CARES Act, effective March 27, 2020, amended several sections of the Bankruptcy Code. These amendments affect both consumer cases and cases filed pursuant to the recently-enacted Small Business Reorganization Act of 2019 (SBRA).

Disclaimer: This packet is not intended to be all encompassing and should not be considered legal advice. All parties acting before the court should perform any and all research prior to filing.



The following slides provide the key changes, all of which are in effect for only one year following the effective date of the CARES Act:**

1. Amended SBRA to increase the maximum “aggregate noncontingent liquidated secured and unsecured debts” of the debtor from \$2,725,625 to \$7,500,000. This new maximum does not apply to cases filed prior to the enactment of the CARES Act. See 11 U.S.C. §1182(1)(A).

** On March 27, 2021, the “COVID–19 Bankruptcy Relief Extension Act of 2021,” Pub. L. No. 117-5 (2021), extended this deadline to March 27, 2022.



2. Amended the definition of “current monthly income” to exclude “[p]ayments made under Federal law relating to the national emergency declared by the President . . . with respect to the coronavirus disease 2019.” See 11 U.S.C. § 101(10A)(B)(ii)(V).

3. Amended the definition of “disposable income” in chapter 13 cases to exclude “payments made under Federal law relating to the national emergency declared by the President . . . with respect to the coronavirus disease 2019.” See 11 U.S.C. § 1325(b)(2).



4. Amended provisions regarding modification of chapter 13 plans after confirmation:

(1) to allow a plan to be modified on request of the debtor “if the debtor is experiencing or has experienced a material financial hardship due, directly or indirectly, to the coronavirus disease 2019 (COVID-19) pandemic” (see 11 U.S.C. § 1329(d)(1)); and

(2) to allow that a plan modified under the above paragraph (1) “may not provide for payments over a period that expires more than 7 years after the time that the first payment under the original confirmed plan was due.” See 11 U.S.C. § 1329(d)(2).



Again, all these provisions sunset one year after the enactment of the CARES Act**, meaning as of that date these provisions will be completely removed from the Bankruptcy Code.

The American Bankruptcy Institute hosted a webinar on April 7, 2020 discussing the above consumer-related provisions and possible issues arising therefrom; that presentation and associated materials are available here: <https://cle.abi.org/product/no-cle-abi-live-consumer-provisions-cares-act-and-local-court-responses-pandemic>.

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