Durbin, Grassley, Introduce Bipartisan Legislation To Extend Cares Act Bankruptcy Relief Provisions

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WASHINGTON – Amid the ongoing COVID-19 pandemic, U.S. Senate Democratic Whip Dick Durbin (D-IL), Chair of the Senate Judiciary Committee, and U.S. Senator Chuck Grassley (R-IA), Ranking Member of the Senate Judiciary Committee, today introduced the *COVID-19 Bankruptcy Relief Extension Act*, bipartisan legislation to temporarily extend COVID-19 bankruptcy relief provisions enacted as part of the March 2020 *CARES Act* and December 2020 omnibus appropriations bill.

"Extending these temporary bankruptcy provisions until March 2022 will provide critical relief to families and small businesses facing hardships due to the ongoing COVID-19 pandemic," Durbin said.

"As businesses and individuals continue to struggle with the economic challenges of the ongoing pandemic, Congress is committed to providing the tools and flexibility for them to once again be successful. Last year, we passed temporary bankruptcy relief provisions to help those facing bankruptcy during the pandemic. This included increasing limits in my 2019 bill to streamline bankruptcy laws for small businesses. This bill extends that relief for an additional year," Grassley said.

The bill would extend for an additional year *CARES Act* bankruptcy provisions that are set to expire on March 27, 2021. These provisions do the following:

- Allow more small businesses to file for streamlined Chapter 11 bankruptcy proceedings under Grassley's Small Business Reorganization Act of 2019 by increasing the maximum debt limit for those procedures from $2.7m to $7.5m.

- Amend the definition of income for Chapters 7 and 13 (which govern individual bankruptcy filings) to exclude federal COVID-related relief payments from being treated as "income" for purposes of filing bankruptcy.

- Clarify that the calculation of disposable income for purposes of confirming a Chapter 13 plan does not include COVID-related relief payments.

- Permit individuals and families in Chapter 13 to seek payment plan modifications for plans confirmed before the date of enactment of this extender bill if they are experiencing a material financial hardship due to the coronavirus pandemic.

In addition, the bill would extend until March 27, 2022, several additional COVID bankruptcy relief provisions that were included in the December omnibus/COVID relief package and that are set to expire in December 2021. These provisions do the following:

- Provide that federal COVID relief payments to individuals are exempt from being treated as property of the estate in bankruptcy proceedings.

- Ensure that families in Chapter 13 bankruptcy plans who have made all plan payments but have missed 3 or fewer mortgage payments because of the pandemic are not denied a discharge for their other debts (though the mortgage payments would continue to be owed).

- Ensure that families that are or were in bankruptcy proceedings are not ineligible from *CARES Act* mortgage forbearance and eviction moratorium provisions.

- Set forth a process for creditors to file a proof of claim for payments deferred during forbearance periods granted under the *CARES Act*, and to permit modification of a chapter 13 plan to account for such proofs of claim.

- Prevent the termination of utility services in bankruptcy by ensuring that individuals and families will not be required to furnish a security deposit to maintain utility services during bankruptcy.

- Exempt customs brokers who collect and pay duties to Customs and Border Patrol on behalf of importers from the claw back provisions of the bankruptcy code when an importer files bankruptcy.