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Client Alert

November 2026

Congress Permanently Raises Subchapter V Bankruptcy Debt Limit to $7.5 Million

On November 10, 2026, President Trump signed into law H.R. 7730, the "Bankruptcy Threshold Adjustment Act" permanently raising the Subchapter V limit to $7,500,000. With that bill now signed as law, once again, far more businesses in need of a restructuring can take advantage of Subchapter V.

Subchapter V of the Bankruptcy Code allows small to medium size businesses to restructure using a streamlined Chapter 11 process. Eligibility is limited to individuals or entities that are "engaged in commercial or business activities" and excludes single asset real estate entities. Eligibility is further subject to a debt cap. When Subchapter V first came into effect on February 19, 2020, the law set the noncontingent liquidated debt cap at $2,725,625, subject to an annual inflation adjustment. Then, as part of the emergency CARES Act in the early days of Covid, the limit was temporarily raised to $7,500,000 for one year. The raise in the cap was an immediate success, allowing far more businesses to utilize Subchapter V than before. Two more extensions essentially kept that figure at $7,500,000 through June 21, 2024. When that extension expired, the cap reverted to the original inflation-adjusted figure. As of this year, the inflation-adjusted cap was $3.42 million, significantly reducing Subchapter V's availability. The new law permanently restores the $7,500,000 cap, reopening Subchapter V to the many businesses that had been shut out.

With the higher cap now permanent, more businesses can access Subchapter V's key advantages over a traditional Chapter 11 case, three of which are notable here. First, Subchapter V cases must move quickly, as the debtor is required to file a plan of reorganization within 90 days of the petition date. Second, Subchapter V presumes no official creditors' committee will be formed. This is material, as a creditors' committee sits in an adverse role to the debtor, while its costs, which can be quite significant, are borne by the debtor's estate. Third, Subchapter V has no "absolute priority rule." The lack of this rule enables the debtor to maintain its interest in the underlying business without having to provide new value even where all creditor classes vote to reject the debtor's plan of

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Bankruptcy & Financial Restructuring

reorganization. Instead, a debtor's plan must provide for 3 to 5 years of projected "disposable income."

Please contact the Olshan attorney with whom you regularly work or the attorney listed below if you would like to discuss further or have questions.

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