

# NATIONAL BANKRUPTCY CONFERENCE

*A Voluntary Organization Composed of Persons Interested in the  
Improvement of the Bankruptcy Code and Its Administration*

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TARA TWOMEY

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PROF. JAY L. WESTBROOK

April 10, 2026

Honorable Chuck Grassley  
Chairman  
Committee on the Judiciary  
United States Senate  
135 Hart Senate Office Building  
Washington, DC 20510

Honorable Dick Durbin  
Ranking Member  
Committee on the Judiciary  
United States Senate  
711 Hart Senate Office Building  
Washington, D.C. 20510

Honorable Jim Jordan  
Chairman  
Committee on the Judiciary  
House of Representatives  
2056 Rayburn House Office Building  
Washington, DC 20515

Honorable Jamie Raskin  
Ranking Member  
Committee on the Judiciary  
House of Representatives  
2242 Rayburn Office Building  
Washington DC 20515

Re: Support for the “Bankruptcy Threshold Adjustment Act of 2026” (H.R. 7730 / S. 3977)

Dear Sen. Grassley, Sen. Durbin, Rep. Jordan, and Rep. Raskin:

The National Bankruptcy Conference (“NBC”) expresses its strong support for the Bankruptcy Threshold Adjustment Act of 2026, as introduced in both the House and Senate. These bills increase debt limits in the Bankruptcy Code for small business debtors electing subchapter V of chapter 11 and for individuals filing chapter 13.

The NBC is a nonpartisan organization of leading bankruptcy judges, academics, and practitioners that has advised Congress on bankruptcy legislation for nearly eighty years. The pending legislation would restore bankruptcy eligibility thresholds that Congress previously expanded in 2022 on a temporary basis and that lapsed in June 2024. Restoring the thresholds ensures that individuals and small businesses retain meaningful access to the Bankruptcy Code’s reorganization tools.

The legislation reflects a balanced approach to reorganization under the Bankruptcy Code. Chapter 13 and subchapter V serve parallel functions for individuals and small businesses in that each provides a structured framework for repayment that preserves value for debtors while enhancing creditor recoveries. Ensuring that eligibility thresholds in both contexts are properly calibrated promotes consistency across the Code and supports a coherent bankruptcy system.

## Subchapter V of Chapter 11

Subchapter V provides a streamlined, cost-effective, and supervised reorganization process for small businesses and small-business owners. A \$7.5 million debt limit aligns that framework with the size and capital structures of modern small businesses.

At lower threshold levels, many otherwise viable small businesses are excluded from

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subchapter V and are instead forced into liquidation or more complex, costly, and less predictable alternatives, risking reduced recoveries for creditors and the loss of going-concern value. Restoring the \$7.5 million threshold ensures that the statute continues to serve the class of small and closely held businesses, many of which depend on the continued participation of their owners and operators. In addition to increasing creditor recoveries, maintaining appropriate access to subchapter V preserves jobs and relationships with vendors, landlords, and customers by enabling businesses to reorganize rather than liquidate.

## Chapter 13

The same considerations apply with respect to consumers and other individuals seeking relief under chapter 13. A unified chapter 13 eligibility threshold of \$2,750,000 replaces outdated separate limits on secured and unsecured debt that unnecessarily restrict access to chapter 13.

Inflation adjustments tied to general price indices have not kept pace with increases in secured household debt, particularly home mortgages, which are the principal obligation for most families. As a result, otherwise appropriate debtors may be excluded from chapter 13 solely due to mortgage balances or related deficiency claims, even where a repayment plan would provide meaningful returns to creditors.

The unified, combined debt limit better reflects modern household balance sheets and avoids anomalous eligibility outcomes. It provides the option of repayment over liquidation and ensures that chapter 13 remains available to the individuals it was intended to serve.

## Conclusion

Eligibility thresholds should align with economic reality to ensure that viable debtors, whether individuals or small businesses, have the opportunity to utilize reorganization tools. The increased debt limits expand access to court-supervised, repayment-based systems that preserve value for debtors without undermining creditor protections. The proposed legislation appropriately preserves this balance.

The Bankruptcy Threshold Adjustment Act of 2026 is timely, well-reasoned legislative reform. Restoring these eligibility thresholds will preserve critical access to chapter 13 and subchapter V, ensuring that the bankruptcy system continues to function effectively as Congress intended, facilitating repayment where possible, preserving going-concern value, and maximizing recoveries for creditors.

We would be pleased to provide any additional assistance as Congress considers this important legislation.

Sincerely,

Douglas G. Baird