

Bankruptcy Options Available for Small Businesses to Continue Operating

March 23, 2020

The coronavirus pandemic and the resulting abrupt halt to everyday life is causing severe economic damage to small businesses. Small business owners will need to consider all options to survive this downturn, including loan programs expected to be offered by state and federal governments and other debt relief measures. Although many business owners associate bankruptcy with going out of business signs and empty store fronts, a new bankruptcy law that went into effect in February 2019 is geared towards providing owners with debt relief while allowing them to continue operating their businesses.

A small business that has no more than \$2,725,625 in total debt and generates at least 50% of its income from commercial or business revenue may use the new law or proceed under previously existing bankruptcy options. To make it easier to reorganize, the new law does not require a business owner to fully repay creditors (or gamble on complicated legal loopholes) in order to keep his or her ownership of the business. Also, the bankruptcy process itself has been streamlined and expedited, such that debtors can expect lower hurdles and reduced costs for confirming and executing reorganization plans. For creditors, although these changes weaken or eliminate some traditional bankruptcy protections, the law adds some new replacement safeguards in an attempt to balance out the debtor-friendly initiatives.

Miller Canfield represents debtors, lenders, and creditors in bankruptcy cases and out of court workouts. Please contact us if you would like to discuss this new bankruptcy law or any other insolvency matter.

*This is part of our series of **COVID-19 alerts** providing clients with practical advice on measures they can take to navigate through these troubled times. This information is based on the facts and guidance available at the time of publication, and may be subject to change.*