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The Debt Limit Dilemma: *In re Beatty* and the Unresolved Question of Chapter 13 Eligibility in Joint Cases

Western District of Missouri | Case No. 25-41555 | Opinion dated April 29, 2026

By Daniel Staeven

A recent opinion from the United States Bankruptcy Court for the Western District of Missouri has added a new voice to one of the more practically significant yet underappreciated "fault lines" in consumer bankruptcy law: Whether the Chapter 13 debt eligibility cap under 11 U.S.C. § 109(e) applies to the combined debts of a married couple filing jointly, or whether each spouse's debts are evaluated separately, permitting a joint case even where the aggregate exceeds the statutory limit.

In *In re Beatty*, Case No. 25-41555 (Bankr. W.D. Mo. Apr. 29, 2026), Judge Brian T. Fenimore sided with the trustee, ruling that the plain language of § 109(e) requires courts to look at the combined unsecured debts of joint filers, and that the Beattys' joint case must be dismissed because their aggregate unsecured obligations of $531,992.80 exceeded the $526,700 statutory limit. The decision is notable because it arrives at a moment when no circuit court has resolved this split, and because it expressly rejects a competing line of authority holding that joint debtors should each be evaluated independently.

For attorneys who often serve on the front lines of client financial distress this opinion is required reading.

Background: The Beattys' Filing and the Numbers

Carleton and Sharon Beatty filed a joint Chapter 13 voluntary petition in September 2025. Their creditors ultimately filed proofs of claim totaling $531,992.80 in unsecured debt. The breakdown was telling Carleton individually owed $331,058.05; Sharon individually owed $144,986.92; and the couple shared $55,947.83 in joint debt. Evaluated separately, both spouses would have cleared the § 109(e) hurdle. Evaluated together, they exceeded the limit by roughly $5,300.

The Chapter 13 trustee, Richard Fink, moved to dismiss. The Beattys did not contest the arithmetic. They argued instead that each spouse's eligibility should be assessed on an individual basis, and that because each would qualify to file

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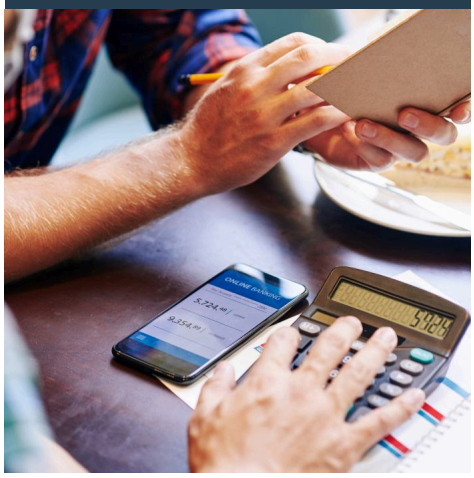

alone, they should be permitted to proceed jointly. The court rejected that argument and granted the motion to dismissal while giving the Beattys until May 20, 2026, to convert their case or move to deconsolidate into separate Chapter 13 filings.

The Statutory Text: The Court's Starting Point and Ending Point

The Beatty court's analysis begins and ends with statutory language. Section 109(e) of the Bankruptcy Code permits Chapter 13 filings by:

"Only an individual with regular income and such individual's spouse . . . that owe, on the date of the filing of the petition, noncontingent, liquidated, unsecured debts that aggregate less than $526,700."

Judge Fenimore found this language unambiguous. The operative clause aggregates less than $526,700 explicitly directs the court to sum the spouses' debts. Congress used a single dollar threshold for both individual and joint filers, choosing not to double the limit when a spouse is added to the petition. In the court's view, that drafting choice was deliberate. Had Congress intended to permit a higher combined threshold for joint cases, it could easily have said so.

The court also invoked § 102(7) of the Bankruptcy Code, which provides that "the singular includes the plural." When § 109(e) refers to "an individual . . . and such individual's spouse," the subject is grammatically plural, and the debt limit applies to both together.

The Circuit Split the Court Acknowledged

Judge Fenimore candidly acknowledged that the issue divides bankruptcy courts nationally, and that no circuit court including the Eighth Circuit, whose law governs in the Western District of Missouri has weighed in. The competing camps are well-represented in the reported decisions.

The aggregate approach (consistent with Beatty) includes:

- *In re Miller*, 493 B.R. 55 (Bankr. N.D. Ill. 2013)
- *In re Pete*, 541 B.R. 917 (Bankr. N.D. Ga. 2015)
- *In re Carter*, No. 20-00653-NPO, 2020 WL 4730889 (Bankr. S.D. Miss. June 26, 2020)

The individualized approach (rejecting Beatty's reasoning) includes:

- *In re Werts*, 410 B.R. 677 (Bankr. D. Kan. 2009)
- *In re Hannon,* 455 B.R. 814 (Bankr. S.D. Fla. 2011)
- *In re Scholz*, No. 10-bk-08446-ABB, 2011 WL 9517442 (Bankr. M.D. Fla. Apr. 11, 2011)

Notably, Hannon cited a North Carolina decision *In re Bosco*, 2010 WL 4668595 (Bankr. E.D.N.C. Nov. 9, 2010) in which Bankruptcy Judge Leonard of the Eastern District of North Carolina held that for joint debtors, the debt limits apply individually, and that spouses are each eligible to file jointly if they each qualify separately, even if their combined debts surpass the § 109(e) limit.

The Fourth Circuit Landscape: What Practitioners Should Know

The Fourth Circuit has not addressed this question directly. However, *Bosco* represents the most relevant persuasive authority within that circuit's geographic footprint. Judge Leonard's reasoning in Bosco tracked closely with

Werts and *Hannon*: each spouse files as an "individual," each estate is separately administered under § 302(b), and the singular language of § 109(e) ("individual") should be read to apply independently to each debtor in a joint filing.

The practical significance for Fourth Circuit practitioners is substantial. States within the circuit have significant populations of dual-income households carrying substantial consumer and business-related unsecured debt. The question of whether a couple's combined unsecured obligations must stay below $526,700 (jointly) or whether each spouse has a separate $526,700 allotment effectively determines whether Chapter 13 is available or whether the couple must resort to the considerably more expensive and procedurally burdensome Chapter 11 process.

Until a circuit court definitively resolves the issue, attorneys in the Fourth Circuit should not assume Bosco controls. It was a single bankruptcy court decision, and trustees in other districts may challenge joint filings under the aggregate approach. Filing strategy should account for the real possibility that a joint petition over the threshold, even where each spouse qualifies individually could be dismissed under the Beatty line of reasoning.

The Three Arguments for the Contrary Position: Why the Beatty Court Found Them Unpersuasive

The Beattys advanced three policy and textual arguments, drawn principally from Werts, in favor of the individualized approach. Each deserves careful attention.

1. The Policy Argument: Encouraging Chapter 13 Filings

The debtors argued that congressional policy favors broad access to Chapter 13, and that reading the debt limit as applicable jointly would improperly restrict access for couples who would each qualify on their own. In *Werts*, Judge Karlin expressed concern that the aggregate reading would give joint filers only "half" the debt limit afforded to a pair of individual filers proceeding in separate cases.

Judge Fenimore acknowledged the practical appeal of this argument but declined to let it override the statute's plain language. The court pointed to *In re Miller's* observation that it is not the place of courts to rewrite the Bankruptcy Code Congress decides what makes for sound bankruptcy policy, and § 109(e) embodies its view. If Congress believed a higher combined threshold was warranted for joint filers, it had the legislative tools to say so. Courts should not judicially impose a doubled limit Congress never enacted.

This is a doctrinally sound position, particularly post-*Chevron* and under the current Supreme Court's strict textualist approach to statutory construction. Practitioners should be cautious about arguing policy override of unambiguous text.

2. The Grammatical Argument: "Individual" as Singular

The debtors contended that § 109(e) speaks of "an individual" and therefore imposes the limit on each person individually. This textual argument has genuine force the word "individual" is singular, and § 109(e) sets limits for "an individual" or for "an individual . . . and such individual's spouse."

The *Beatty* court pushed back by noting that when a married couple files jointly, the relevant clause refers to both spouses: "an individual . . . and such individual's spouse." That is a plural subject, and 11 U.S.C. § 102(7) confirms that 'the singular includes the plural." Moreover, the operative

verb “owe” in the joint-filing clause is plural, not singular. As *Miller* observed, “as a grammatical matter, no other meaning is possible” than that the aggregate of both spouses' debts must fall below the ceiling.

That said, the contrary grammatical reading is not frivolous. The statute could be read and *Werts, Hannon*, and *Scholz* so read it as establishing that “an individual” who files jointly with a spouse must meet the same individual eligibility threshold as anyone else. The phrase “and such individual's spouse” might have been added merely to allow the non-income-earning spouse to join the petition, not to combine their debts for eligibility purposes.

3. Section 302 Argument: Separate Estates

The debtors' most structurally interesting argument was grounded in § 302 of the Bankruptcy Code, which governs joint cases. Under § 302(b), when a married couple files jointly, each spouse's estate remains legally distinct joint administration does not mean substantive consolidation. The *Beattys* argued that it is therefore inconsistent to aggregate their debts for eligibility purposes when the law treats their estates as separate.

The *Hannon* court found this argument persuasive. Judge Olson noted that the Code already permits each debtor in a joint case to claim exemptions separately and that treating jointly administered estates as a single consolidated entity for eligibility purposes creates an internal tension with the separateness § 302(b) preserves.

Judge Fenimore in *Beatty* disagrees, citing the *Pete* distinction: § 109 is an eligibility provision it determines whether a debtor may enter Chapter 13 at all. Section 302 is an administrative provision it determines how a case is managed after eligibility is established. The two sections operate at different functional levels, and the separateness of estates under § 302(b) simply does not speak to whether the debt threshold of § 109(e) should be applied jointly or individually. A total debt limit for joint debtors is “in no way inconsistent with the concept of separate estates under section 302(b),” as *Miller* put it.

Practical Implications for Bankruptcy Attorneys

The *Beatty* opinion crystallizes several planning considerations for bankruptcy attorneys advising financially distressed married couples.

1. Check the numbers before you file the case. The current unsecured debt limit under § 109(e) for cases filed between April 1, 2025, and March 31, 2028, is $526,700. Where a couple's combined unsecured, noncontingent, liquidated debt approaches or exceeds that figure, practitioners must evaluate the applicable jurisdiction's position before filing jointly. Note also, as the Beatty court highlighted, that the unsecured portion of an undersecured claim counts toward the limit an often-overlooked calculation that can push a case over the threshold.

2. Consider separate filings. As the *Beatty* court itself noted, the Beattys retained the option to deconsolidate and proceed in separate Chapter 13 cases. If each spouse individually qualifies, filing separately may be the cleanest solution provided the additional administrative costs and procedural complexity are acceptable. Practitioners should also be aware that joint debt is typically counted against each spouse individually in the eligibility analysis, which can affect the calculus.

3. Evaluate Chapter 11 Subchapter V. For couples who

exceed the § 109(e) limits in aggregate but whose combined debt remains below the Subchapter V threshold ($3,024,725 for cases filed after June 2024), a Small Business Reorganization Act filing may be worth exploring. Subchapter V offers many of the streamlined features of Chapter 13 and may be a viable alternative.

4. Know your circuit's precedent or lack thereof. No circuit court has resolved this split. Attorneys must assess the likelihood that local trustees will mount a § 109(e) challenge and calibrate filing strategy accordingly. In circuits where the individualized approach has been followed at the bankruptcy court level such as *Bosco* in the Eastern District of North Carolina there may be more room to argue for separate evaluation. But that room narrows significantly if a district follows Beatty's reasoning.

5. Document the debt breakdown carefully. Whether filing jointly or separately, counsel should ensure that individual versus joint versus contingent debts are clearly segregated in the schedules. As the *Beatty* opinion demonstrates, the precise allocation of debt among spouses $331,058 for Carleton, $144,987 for Sharon, $55,948 jointly drives the eligibility analysis and may determine whether a case proceeds or is dismissed.

Conclusion

In re Beatty is a carefully reasoned opinion that aligns with the textually stronger line of authority but it does not end the debate. The court itself acknowledged a genuine circuit split, and bankruptcy practitioners in circuits that have leaned toward the individualized approach (particularly in the Fourth Circuit, where Bosco remains persuasive authority) may continue to argue for separate evaluation of joint debtors' obligations under § 109(e).

What is clear is that the stakes are high. A married couple that miscalculates their combined debt exposure or whose attorney fails to identify the aggregate eligibility risk before filing jointly may find their Chapter 13 case dismissed, leaving them to either file separately, convert to Chapter 11, or navigate Chapter 7 liquidation. Given the speed with which the Beatty court moved to grant dismissal, and the tight May 20, 2026, deadline imposed for conversion or deconsolidation, the margin for error is small.

Congress ultimately holds the fix. A simple amendment to § 109(e) doubling the limit for joint filers or explicitly providing for individual evaluation of each spouse's debts would resolve the ambiguity once and for all. Until that happens, attorneys and accountants advising married couples facing financial distress must approach the § 109(e) analysis with rigor, jurisdiction-specific research, and a clear-eyed view of the considerable risks posed by joint filings near or above the statutory threshold.

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