

In 1787, Congress in Article 1, Section 8 of the United States Constitution, received authorization to establish uniform bankruptcy laws for the country. Thirteen years later, the country's first bankruptcy law, the Bankruptcy Act of 1800 passed by a single vote and a mere three years later Congress repealed the Act. For the next 38 years, no federal bankruptcy laws existed.

In 1841, Congress passed the Bankruptcy Act of 1841, which had a two-year life span before its repeal in 1843. The Bankruptcy Act of 1867 enabled debtors to negotiate repayment plans a precursor to the modern Chapter 13 bankruptcy. Further amendments in 1874 allowed debtors to settle debts in exchange for distribution of assets as a precursor to the modern Chapter 7. These Acts were also short-lived and later repealed in 1878.

As the country headed towards the 20th century, the Bankruptcy Act of 1898 came into existence with a pro-debtor focus providing narrow exceptions to discharge. While amended along the way, the Bankruptcy Act of 1898 would remain for the next 80 years. During that time, bankruptcy as we know it today, began to take shape. The Chandler Act of 1938 developed bankruptcy chapters, including Chapter XIII as a wage earner plan and in 1964, Congress authorizes the creation of Bankruptcy Rules.

The Bankruptcy Reform Act of 1978 established the modern framework for bankruptcy, establishing a Chapter 11 for reorganizations and a Chapter 13 allowing a "super discharge. In 1986, Congress made the U.S. Trustee program permanent and established relief for family farmers under Chapter 12.

Bankruptcy reform in the 1990s added the ability of bankruptcy courts to hold jury trials and established a commission to investigate changes to bankruptcy law.

Substantial changes to the modern bankruptcy landscape took place in 2005 through the enactment of the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCA). BAPCA added a debtor education component as a prerequisite for discharge in Chapter 7 and Chapter 13 cases, requiring debtors to complete a pre-filing credit counseling and a post-filing financial management course, and instituted an income based means test to determine eligibility for individual consumer debtors to file for relief under Chapter 7.

The evolution of bankruptcy has its share of ebbs and flows through amendments, repeals, and reform. The landscape of bankruptcy will be ever-changing and its history is far from over.

Historical growth of filings have been exponential. A little over 7,000 bankruptcy cases were filed in 1867 which exploded to nearly 1.5 million bankruptcy cases filed in the United States in 2011.

For a visual time line of bankruptcy in the United States, take a look at the Federal Judicial Center's "The Evolution of U.S. Bankruptcy Law."