

In The News

Akerman Partner David Slenn Sees ‘Perfect Storm’ for Fraudulent Donations to Charities

December 11, 2023

The American Bar Association’s Business Law section recently published an article by Tax Partner [David Slenn](#) in Naples regarding fraudulent donations to charity. On May 15, 2023, the *New York Times* reported that the greatest intergenerational transfer of wealth – involving trillions of dollars – is currently in motion. This transfer of wealth includes giving to tax-exempt organizations.

“The convergence of a massive transfer of wealth and an economic downturn might create a perfect storm, imposing the remedy of centuries-old fraudulent transfer law against charities that receive gifts that are later shown to constitute fraudulent transfers by the donors. The result may be money judgments against the charities,” Slenn wrote in the ABA article.

The article examined what a charity should know about its exposure to liability as the transferee of a donation that turns out to be a fraudulent transfer by the donor.

“A charity can perform due diligence to manage most kinds of risk resulting from its receipt of a donated asset (e.g., hard-to-manage/risky assets, the risk of inadvertently participating in a tax shelter,^[3] etc.), but a charity – even a large charity with sophisticated general counsel – faces a much more

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difficult challenge in attempting to mitigate the risk potentially posed by fraudulent transfer law,” Slenn explained.

The article also addressed how the law surrounding this intersection has evolved and how the courts have approached the issue of charity liability under fraudulent transfer law.

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