

Charitable Donations & Bankruptcy in New Jersey

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If you make regular [charitable contributions](#) and you are filing for [bankruptcy](#) protection, you may be wondering if you can continue making your donations during your case. The [Bankruptcy Code](#) attempts to strike a balance between maximizing the amount of money to pay creditors while also allowing a debtor to continue their faithful giving.

The court generally focuses on whether the amount of the donation is reasonable. A common finding among the bankruptcy courts is that the amount of a debtor's contribution cannot exceed 15% of the debtor's gross income. The court also considers whether the debtor's giving has been done on a regular basis prior to the bankruptcy filing. A common example is tithing to the church.

The statute requires a **three step test** to determine if a charitable contribution may be excluded from a debtor's disposable income and therefore available to pay creditors.

- 1) The contribution must be a "charitable contribution" as defined by [11 U.S.C. § 548\(d\)\(3\)](#).
- 2) The contribution must be made to a "qualified religious or charitable entity or organization" as defined by [11 U.S.C. § 548\(d\)\(4\)](#).
- 3) The contributions must not exceed 15% of the debtor's gross income for the year in which the contributions are made.

If a debtor's charitable donations meet the three criteria, the donations are likely to be presumed to be reasonable.

About McDowell Riga Posternock P.C.

The attorneys at [McDowell Riga Posternock PC](#) provide New Jersey and Pennsylvania residents with experienced legal representation in bankruptcy matters. We assist consumers and business clients with significant debts in filing Chapter 7, Chapter 11, and Chapter 13 bankruptcies. If you are considering filing for bankruptcy protection, or you want to discuss options for dealing with your debt, please contact us at [856-528-3389](tel:856-528-3389). We also handle matters dealing with family law, consumer fraud, estate planning, real estate, personal injury, and debt collection.