



Don't Just Follow the Crowd on "Crowdfunding" Websites

From the Office of Minnesota Attorney General Lori Swanson

People hear on the news that someone in their community has lost her home in a fire or a spouse to an illness. They want to help, so search the internet and find several social media pages that claim to be raising money for the victim. They donate through a particular page, but later find out that the person running it kept the money and did not pass it along to the victim of the tragedy. For example:

- In 2016, a Minnesota woman pleaded guilty to stealing more than \$20,000 that she had raised online to help the families of three drowning victims.
- In 2018, a Minnesota woman was charged with theft for crowdfunding thousands of dollars for a man who suffered a death in his family, but keeping the money for herself.
- In 2017, an Oklahoma woman was sentenced to prison for fundraising thousands of dollars online by pretending her child had cancer.

Following a few simple rules can help people avoid such scams when donating through online "crowdfunding" platforms.

What is Crowdfunding?

"Crowdfunding" generally means raising donations from a large number of people. It is done online, through web sites like GoFundMe, and social media sites like Facebook. Crowdfunding campaigns are frequently run by one or a small group of people from the local community. Some crowdfunding pages claim to help a specific person, while others ask for donations for particular charities.

What Do I Need to Know About Crowdfunding?

Many, but not all, crowdfunding pages are legitimate. Bad actors sometimes try to take advantage of people's generosity by keeping donations for themselves. Even with legitimate campaigns, a portion of a donation may go to the website, instead of the charity or person in need, because the website takes a "cut" of the donation by charging a fee. Not every crowdfunding donation is tax deductible either. For example, donations to a specific person are generally not tax deductible.

How Do I Protect Myself?

- **Before donating:** Research the organizer of the crowdfunding campaign, the cause, and how the money will be used. Do public facts support the organizer's claims? Will the website charge a fee? How will the organizer handle and safeguard donations?
- **Donating to help a specific person:** If you are donating to people you don't know, look for specific information about the situation that can be verified.
- **Donating to an organization:** Donors should look for charities they already know and trust. To be sure that your money is going where you want it to go (and to minimize the chance of any extra fees being taken from your donation), consider donating directly through that charity's own website, instead of through a crowdfunding page.
- **Donating smartly:** Be wary of charities that spring up overnight in the wake of a disaster or tragedy, that have names that sound like well-known charities, or that otherwise raise red flags. If there is reason to suspect a charity might not be legitimate, contact the Minnesota Attorney General's Office before donating.

Where Do I Go For More Information?

The Better Business Bureau's Wise Giving Alliance and Consumer Reports publish information and tips on crowdfunding on their websites, www.give.org and www.consumerreports.org. Donors may also contact the Minnesota Attorney General's Office for more information about crowdfunding, to research charities on the Office's website, or to file a complaint as follows:

Office of Minnesota Attorney General

Lori Swanson

445 Minnesota Street, Suite 1400

St. Paul, MN 55101

(651) 296-3353 (Twin Cities Calling Area)

(800) 657-3787 (Outside the Twin Cities)

TTY: (651) 297-7206 or (800) 366-4812

www.ag.state.mn.us

