Federal Judge Slams Timeshare Donation Scheme
By Gregory Crist
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Former timeshare owners who paid a Montana based company to donate and transfer their timeshare interests in exchange for tax deductions may soon be receiving a disturbing notice from the IRS. A federal judge shut down what prosecutors have called an "abusive timeshare donation scheme. On September 28th, 2016 Judge Sam Haddon ordered Project Philanthropy also doing business as Donate for a Cause and it's operators to turn over a list of all customer names, addresses, phone numbers and social security numbers for whom it accepted a timeshare donation dating back to 2010. Over that period of six years, thousands of owners were allegedly provided with improper tax deductions over donated timeshares that falsely promised “generous” tax savings. Court documents reveal that the defendants purportedly determined the FMV “Fair Market Value” of the timeshare by selecting an independent, third-party appraiser when in fact a group of companies controlled by attorney Jim Tarpey required the former owners to pay significant processing fees to Resort Closings, Inc. to transfer the timeshares to Donate for a Cause.

The scheme according to the complaint, relied on an appraisal that “grossly overvalued the donated timeshare rights” that a customer would use to claim a big charitable tax deduction. Timeshare owners were encouraged to donate the timeshare (ownership) to Donate for a Cause according to the Justice department.

Prosecutors showed that Donate for a Cause was simply used as a conduit to briefly hold title to timeshares before they were sold for a fraction of the appraised amount. For example, one customer transferred a timeshare to Donate for a Cause that had originally been purchased for $10,597.50. Donate for a Cause used eBay’s charity platform to sell that timeshare to a third party for only $81, yet it appraised that timeshare for $8,740. In other examples illustrated, timeshares sold for a just a few hundred dollars but were nowhere near the stated appraisal.

"The IRS estimates that since 2010, defendants have caused customers to donate 5,523 timeshares to this scheme. Based on a review of only 2,994 of these customers’ files, the IRS determined that defendants have caused more than $19.4 million in improper tax deductions for the timeshares alone." (Case No 2:15-cv-00072-SEH)

The company's CEO and President both defended the appraisals and their actions, but agreed to being permanently barred from the practice of marketing or promoting charitable contribution deductions. In addition, the defendants are prohibited from preparing property appraisals in connection with a federal tax return. Project Philanthropy and all of its affiliated companies must also post a copy of the injunction on it's individual websites as well as notify all employees of the final order.

Donate for a Cause is listed as an arm of TimeshareSpecialists.com, a website that guarantees transfer of timeshares. The website has claimed tens of thousands of timeshares successfully transferred. The companies have 30 days to comply with the final order of identifying those involved in each and every timeshare transaction.