

BILL ANALYSIS

C.S.H.B. 4281
By: McQueeney
Judiciary & Civil Jurisprudence
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that crowdfunding has become a popular way to raise funds for people who have fallen on hard times or who have experienced a tragedy but that, unfortunately, there are bad actors who capitalize and exploit tragedies by creating fraudulent crowdfunding campaigns with no intention of ensuring that the money goes to the affected people. The author has further informed the committee that under current law, this fraud is considered theft by deception but that there is no expressly provided avenue for a person's recovery of the donations that were unknowingly collected on their behalf. C.S.H.B. 4281 seeks to hold liable a person who engages in fraudulent crowdfunding by creating a pathway through use of a civil cause of action for fraudulent crowdfunding.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 4281 amends the Civil Practice and Remedies Code to make a person who engages in fraudulent crowdfunding liable to the donee on whose behalf the donations were made or the donee's estate. The bill defines "fraudulent crowdfunding" as collecting donations on behalf of a donee with the intent to keep the donations instead of giving the donations to the donee on whose behalf the donations were made. The bill requires a court to award a claimant who prevails in such an action the following:

- 125 percent of the amount of donations the defendant collected on behalf of the claimant through the fraudulent crowdfunding; and
- reasonable attorney's fees.

The bill establishes that nothing in its provisions prevents a claimant from pursuing a claim for exemplary damages for the defendant's fraudulent crowdfunding. The bill applies only to a cause of action that accrues on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 4281 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

With respect to the liability of a person who engages in fraudulent crowdfunding, the introduced made the person liable to the donee on whose behalf the donations were made, whereas the substitute makes the person liable to such a donee or the donee's estate.

While both the substitute and the introduced require a court to award a claimant who prevails in the applicable action 125 percent of the amount of donations the defendant collected on behalf of the claimant through the fraudulent crowdfunding, the substitute also requires the court to award reasonable attorney's fees, whereas the introduced did not.