

JUSTICE PREVAILS IN CHURCH-STATE DISPUTE

Donations made by church members who later become bankrupt may not be seized by the government during bankruptcy proceedings, a federal appeals court has ruled. Relying on provisions of the Religious Freedom Restoration Act (RFRA), a panel of the United States Court of Appeals for the Eighth Circuit has determined that contributions given a church by members who later filed for bankruptcy may not be taken by the bankruptcy trustee for distribution to creditors. To allow recovery of these funds would substantially burden the debtors' free exercise of religion, the court said. Two lower courts had ruled in favor of the trustee.

Bruce and Nancy Young were devoted members of the Crystal Evangelical Free Church and they made yearly contributions as tithes to their church. After they filed for bankruptcy, the bankruptcy trustee tried to recover money given to the church in the year prior to the bankruptcy. The trustee argued that the debtors did not receive "reasonably equivalent value" "in exchange for" their contributions, and therefore the contributions were "avoidable transfers" under the Bankruptcy Code and recoverable for payment to the Youngs' creditors.

Although the appeals court concluded that the debtors' contributions were avoidable transfers and recoverable by the trustee under bankruptcy law, it found that requiring the church to return the debtors' contributions would violate the RFRA. The court held that the recovery of the contributions would substantially burden the debtors' free exercise of their religion and would not be in furtherance of a compelling governmental interest.

This case addressed an issue of critical importance for all churches and charities and the decision was a welcome

validation of the Religious Freedom Restoration Act. The Catholic League joined a friend of the court brief filed by the Christian Legal Society in support of the church.