

Gift Refund Protocol

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Gift Reversals and Error Refunds: Tax-deductible donations to the [name of organization] are irrevocable conveyances that cannot be reversed or taken back by the donor.

- If a donor requests the reversal and return of a gift when no error has been made by [name of organization], this is a donor relations issue. The associated gift officer should work with the donor to re-designate the gift to a different purpose. If the donor is unwilling to re-designate, we require the approval of the reversal by the [senior philanthropy officer title] or their designee. Such refunds cannot be approved by other staff unless they have delegated authority. Refer to the guidance below for appropriate courses of action should a reversal be authorized.
 1. If the gift and reversal occurred in the same calendar year, the donor must return the original tax receipt before the reversal can be processed. If the donor is unable to locate the original receipt, they must certify in writing that it has been destroyed or discarded. They must confirm they will never use the gift receipt in tax preparation. The reversal of the gift occurs on the system. We then issue a paper check to the donor. There is no requirement for a 1099-MISC.
 2. If the reversal occurs in a subsequent calendar year and is less than \$600, IRS regulations do not require us to issue a 1099-MISC. The reversal of the gift occurs on the system. We then issue a paper check to the donor. There is no requirement for a 1099-MISC. However, a letter accompanies the check advising the donor that if they claimed the original gift as a deduction on a prior-year tax return, they might be required to file an amended return and to seek guidance from a tax professional.
 3. If the reversal occurs in a subsequent calendar year and is \$600 or more, IRS regulations require the issuance of a 1099-MISC. The donor must provide his/her social security number before the reversal can be processed. Please discourage donors or gift officers from transmitting social security numbers via email for donor security. The reversal of the gift occurs on the system. We then issue a paper check to the donor. The appropriate office issues a 1099-MISC.
 4. No gift reversal can be processed until at least two full weeks after the original deposit date (or until confirmation of bank clearance is received) to reasonably assure that funds have cleared our bank, and we eliminate the risk of fraud.

5. Electronic payments of gift reversals are not allowed, even if EFT was the source. We must only issue paper checks for reversals.
 6. For any gift reversal of \$1,000 or higher, Advancement Services must research the donor to assure the name, address, business, background, and wealth screening. Halt the refund process and report any anomalies which may indicate fraud to leadership for review.
- When occasional errors occur, and we did not issue a tax receipt, Advancement Services will initiate a full or partial refund to the donor via the following protocols:

7. Credit Card Refunds

- a) If a donor has executed an erroneous or duplicate credit card charge, we will refund the donor via the original credit card only. It is fraud to repay a different credit card number than the one on which a charge has taken place. If a donor requests that a different credit card be refunded for any reason, immediately alert leadership. The credit card may have been compromised.
- b) We cannot process any credit card refund until we receive proof of settlement to our bank account.
- c) The [senior philanthropy officer title] or their designee must approve any credit card refund of \$1,000 or more.

8. Non-Credit Card Refunds

- a) If a donor has erroneously overpaid or sent duplicate payment via any other tender (paper check, wire, stock, etc.), we will refund the donor via paper check only.
- b) Electronic payments of gift reversals are not allowed. We only issue paper checks for reversals.
- c) No gift reversal can be processed until at least two full weeks after the original deposit date (or until confirmation of bank clearance is received) to reasonably assure that funds have cleared our bank, and we eliminate the risk of fraud.

9. Security Gift Refunds

- a) These are complicated by the fact that when donated, the donors are often able to avoid capital gains taxes when donated to charity. As the shares no longer

exist – at least not in the donor’s name – the original transaction cannot be undone. However, the donor is now, possibly, subject to those capital gains taxes they initially avoided. Before proceeding, you should consult both your own business office as well as the donor’s transfer agent to seek further guidance before issuing a refund check. At no time should the institution provide tax guidance to the donor, but suggest they seek independent counsel. Regardless, per the above, a 1099-MISC must be issued if the payment amount is \$600+.

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