



Raffles in the State of California Summary

ELIGIBLE ORGANIZATIONS: The law defines an eligible organization as a private non-profit organization that is exempt from taxation under IRS Sections 501C3, 501C4 and 501C6, which means that the organization need not be a "Charity" to which gifts are deductible from the income taxes of donors. Specifically, this means social organizations and political action committees will probably qualify along with traditional Charitable Organizations.

REGISTRATION: To conduct a charitable raffle under the law most organizations must register annually with the **California Attorney General's Office**.

A number of types of Organizations are exempt from registration including Hospitals, Religious Organizations, Educational Institutions, and Political Action Committees.

The registration forms will be found on the Internet at the following web address:
<http://ag.ca.gov/charities/raffles.htm>.

After initial registration, the organization will be required to file a **report annually** providing the following information:

1. Gross receipts from all raffles;
2. Direct costs incurred in the operation of raffles; and
3. The net proceeds and charitable purposes to which these proceeds were directed.

The reporting forms can be found on the same web address listed above.

DEADLINE: Raffle Registration forms are due by September 1st of each year for the following year (September 1 through August 31). A \$20 registration fee must accompany the Registration form. Those organizations that decide to conduct a raffle after September 1st, must file a registration form accompanied by the registration fee at least 90 days prior to conducting the raffle.

ADDITIONAL REQUIREMENTS: The following requirements must be met by all organizations conducting a raffle, whether or not they are exempt from registration and reporting:

1. Each raffle ticket must have a detachable stub and both sections must have a unique number or other identifier that easily distinguishes it from all others;
2. Winners of prizes must be determined by draw from among all stubs;

3. A person who is 18 or older must conduct the Draw and it must be drawn within the borders of the state of California;
4. A person who receives compensation in relation to a raffle must be an employee of the non-profit organization and may not be paid with a portion of the raffle proceeds;
5. Raffles may not be conducted using a gaming machine or device;
6. Raffle tickets may not be sold in a casino, satellite wagering facility or other gaming establishment;
7. Raffle tickets may not be advertised or sold over the Internet; Charity Website can advertise that the charity is holding a raffle; and
8. Raffle prizes may not be purchased from the proceeds of the raffle unless purchase of the prize would constitute less than 10% of the gross proceeds.

OPTING OUT: An organization may opt out of these provisions by holding a "Drawing" as the Attorneys General allows. Please check with the AG's office at <http://ag.ca.gov/charities/raffles.htm>.

FEDERAL PROVISIONS: Organizations conducting raffles must also comply with applicable **Federal Laws**.

1. Federal Law requires disclosure to a donor whether or not any portion of the price of participation in an event is deductible as a charitable gift. Since purchase of a raffle ticket qualifies a person to win a prize having greater value than the purchase price of the ticket, it must be disclosed to raffle ticket purchasers that the purchase price is NOT deductible as a charitable gift from Federal or State income tax.
2. Persons winning prizes in raffles are required to pay Federal and State income tax on the value of the prizes won. In the event the raffle prize is valued at \$600 or more, the Internal Revenue Service requires the hospital or support organization to complete and file an IRS form 1099 notifying the IRS of the name address and Social Security number of the winner. The Organization should obtain the required information from the winner before delivering the prize.
3. SUGGESTIONS LANGUAGE ON TICKETS FOR RAFFLING A CAR
 - Not Tax Deductible
 - Winners are subject to and must pay in advance the federal and state income tax for the value of the car prior to receiving the car OR will be 1099 for the value of the car
 - Winners are responsible for license, title fees and proof of insurance
 - Winner will coordinate with dealership for delivery of the car
 - All entry forms to Charity remain the property of charity
 - Grand prize color and vehicle options are limited to dealer stock on hand. No refunds. By entering, entrants release CHARITY, its members, directors, trustees, agents, employees, donors and other related entities from any and all liability with respect to the prize.