



Parish and School Raffle Guidelines

When a parish or school is considering whether or not to sponsor a raffle, there are a number of issues to be considered. The information summarized here is a starting point in helping you determine whether or not the work involved with sponsoring a raffle is worth the effort. In short, raffles are a form of gambling in Georgia and as a result, there are a number of guidelines. One key component is making sure that the winner of a raffle recognizes and deals with the IRS, pays taxes on the raffled item, and the sponsoring organization (parish or school) files a 1096 form with the IRS to report the prize awarded as taxable income to the winner.

FEDERAL LAW

The IRS has certain requirements to ensure that any raffle proceeds over a specified amount are subject to tax and withholding. The link below is on the Archdiocesan web site, Finance Department and is a copy of the IRS Gaming Publication, which you should familiarize yourself with, and abide by. Among other things, it states that raffles are permissible by tax-exempt organizations, as long as they are infrequent and of short length (see their detailed requirements as spelled out):

STATE LAW

The various gambling laws, and links to the Georgia regulations are summarized in the following web link:
<http://www.gambling-law-us.com/Charitable-Gaming/Georgia/raffles.htm>

This link, updated of as 9/1/2014, basically outlines the requirements that the State requires of any potential raffle group, including registration within each County, through the local Sheriff's Office.

As of January 1, 2008, the Georgia Department of Revenue no longer requires an organization to submit form 3605 requesting a determination level, from the State of Georgia, regarding the organization tax exempt status.

The organization must still contact the local sheriff in their specific county to request and obtain the relevant license for conducting a raffle. The organization will then attach an IRS determination letter regarding the organization's federal tax exempt status along with a letter of incorporation with the appropriate federal exempt return that is filed with Georgia.

COUNTY REGULATIONS

Each county has specific regulations and requirements that must be followed, and these are typically specified on the County's web site, generally under the Tax Commissioner's office, or Department of Revenue. As an example, here is the DeKalb County link (and the Georgia State Raffle law):

http://www.dekalbsheriff.org/web/public/index_commendation.php

IRS REQUIRED TAX WITHHOLDING

Federal tax withholding rules in recent years outlined the requirements for withholding taxes on raffle winnings, and you should confirm the current regulations. When we researched, it stated that if the prize is valued at over \$600, AND the winnings are subject to federal income tax withholding, the compensation is reported, and withholding is required (either by the winner or a higher amount if paid by the organization). Typically this calls for use of a W-2G and Form 5754.

AUTOMOBILE RAFFLE EXAMPLE, WITHHOLDING AND TAX FILINGS

A vehicle with a fair market value of \$6,000 is to be raffled. Raffle tickets are priced at \$50: \$50 times 300 = \$15,000. In this case, 25% of the non-cash prize value must be withheld (\$1,500). Had it been a CASH prize of over \$6,000 (which is less than the \$15,000 example) no such withholding would be triggered.

In the case of a non-cash prize (such as a car), the requirements would be to issue the W-2G to the winner for the fair market value (less the cost of the ticket), and withhold 28% of the prize value. Note: the withholding amount is simply a “guarantee” to the IRS that taxes will be paid on the winnings, so this is really just a timing issue as to paying taxes in advance rather than on April 15th.

1. The raffle winner should complete Form 5754 - Statement by Person(s) Receiving Gambling Winnings.
2. The parish/school should issue a W-2G to the raffle winner since the winnings were more than \$600.

NOTE: If the winning are more than 300 times the wager and the total winnings were \$5,000 or more (cash or non-cash prize), then the parish is required to:

- withhold 28% of the winnings for federal income taxes.
 - file Form 945 - Annual Return of Withheld Federal Income Tax
3. The parish/school should file a 1096 with the W-2G with the IRS (just like a 1099)

W-2G Instructions: <https://www.irs.gov/pub/irs-pdf/iw2g.pdf>

W-2G Form for 2016: <https://www.irs.gov/pub/irs-pdf/fw2g.pdf>

Form 5754 (Revised 12/2008): <https://www.irs.gov/pub/irs-pdf/f5754.pdf>

1096 Form – Must be submitted with W-2G Form:

<https://www.irs.gov/pub/irs-pdf/f1096.pdf>

AUTOMOBILE RAFFLES - TITLES AND INSURANCE

There are a number of variations on how best to manage ownership of automobiles to be raffled. Where title passes from one owner to another – such as from an auto dealership to a parish, or from an auto dealership to a raffle winner, there are THREE key issues that must be dealt with:

- Ad Valorem Taxes (which must be paid by any new owner on a title);
- Title on the vehicle (if the parish or school can avoid taking ownership and title of the vehicle, it is far simpler, as taking ownership requires payment of Ad Valorem Taxes, obtaining a Tag, and obtaining short-term automobile insurance;

- Insurance: if the parish/school takes ownership of the vehicle, then they bear responsibility for getting insurance coverage.

Some parishes/schools allow the raffle winner to take a “cash option”, rather than taking ownership of the raffled car. In those cases, the parish/school should recommend that the raffle winner consult a CPA to ensure that tax rules, withholdings and tax reporting rules are complied with.

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