



Raffle Guidelines

When a parish, mission, or school is considering whether to sponsor a raffle, there are several considerations to think through. The decision that a Pastor or Principal makes to pursue a raffle should not be taken lightly, given the consequences that can be derived from unlawful raffle management. It is parish/school's responsibility to file the appropriate IRS forms to report the prize award as taxable income to the winner. State and Federal laws may change, and it is the responsibility of each parish/school to confirm the current regulations by researching up-to-date governmental sources. These guidelines are a suggested starting point in determining whether the work involved with sponsoring a raffle is worth the effort.

GEORGIA STATE LAW:

Raffles are a form of gambling in Georgia and as a result, there are several requirements that must be followed to be in compliance with Georgia Law. The **Official Code of Georgia** ([O.C.G.A. § 16-12-22.1](#)) allows for nonprofit, tax-exempt churches and schools to operate raffles if their local sheriff office issues a raffle license. Additionally, [Pro Bono Partnership of Atlanta \(pbpatl.org\)](#) is a reputable organization that has a useful resource [How to Hold a Legal Raffle in Georgia \(pbpatl.org\)](#)

Any parish considering sponsoring a raffle must read in detail O.C.G.A. § 16-12-22.1 and reach out to its county's sheriff office for information on how to get a raffle license. Any person who fails to follow the law as described on O.C.G.A. § 16-12-22.1, including operating a raffle without a valid license issued by the sheriff, commits the offense of commercial gambling. Violations may lead to felony charges, imprisonment of not less than 1 year and nor more than 5 years, and significant fines.

Each county's sheriff office may have its own license application forms. The sheriff may require the payment of an annual fee not to exceed \$100. Parishes and schools that have not been existence for more than 24 months are not allowed to obtain a license. Further, the license will expire at 12:00 Midnight on December 31st following the granting of the license. Renewal applications for each calendar year need to be filed with the sheriff prior to January 1 of each year. Here are some links to the metro Atlanta raffle license webpages:

[CCSO | Raffles \(cobbsheriff.org\)](#)

[Raffle License Application.doc \(dekalbsheriff.org\)](#)

[Raffles \(fultoncountyga.gov\)](#)

[Raffles Application 2021 \(gwinnettcounty.com\)](#)

Parishes and schools must also understand the reporting and record retention requirements mandated by State law, which include a yearly report to the Sheriff's Office disclosing all receipts and expenditures for all raffles that occurred in the prior calendar year. This report must be prepared and signed by a certified public accountant. We recommend that the Treasurer of the parish corporation is listed as the point of contact. For locations that are not incorporated, the pastor/administrator/chaplain or principal should be listed. In the case Reference [O.C.G.A.](#)

[§ 16-12-22.1](#) for a listing of all records that the parish must retain for at least three years from the date in which the raffle was conducted.

Lastly, we encourage the parish/school to discuss with a CPA all requirements that must be met to be compliant with the Department of Revenue of the State of Georgia. Tax withholding, as well as reporting requirements may be triggered depending on the raffle prizes being offered.

FEDERAL STATE LAW:

Parishes and schools must reference [IRS Publication 3079 Gaming Publication for Tax Exempt Organizations](#) for guidance on managing raffles. Among other things, it states that raffles are permissible by tax-exempt organizations if they are infrequent and of short length.

- **Reporting Winnings:** The IRS considers a reportable winning when the parish pays a winner or winners of a raffle game \$600 or more **AND** at least 300 times the amount of the wager. The parish/school must issue a **W-2G** [Form W-2G \(Rev. January 2021\) \(irs.gov\)](#), with copy A filed with the IRS and copies B and C given to the individual receiving the winnings.

Example 1 - \$1,000 Raffle Prize: Mr. Garcia buys a \$3 raffle ticket from your church. Mr. Garcia wins the \$1,000 prize. Because the winnings are greater than \$600 **and** more than 300 times the amount of the ticket price ($\$3 \times 300 = \900), you must report Mr. Garcia's winnings to the IRS using the forms **W-2G** and **1096** (used to transmit the W-2G form to the IRS [2022 Form 1096 \(irs.gov\)](#)).

Example 2 - Mary buys a raffle ticket for \$2, and she wins the parish's \$8,000 raffle cash-prize. Because the winnings (\$7,998) are greater than \$600 and more than 300 times the amount of the wager ($300 \times \$2$ wager), the parish must report Mary's winnings to the IRS.

The parish must withhold taxes from gaming winnings and report it to the IRS using **Form 945** (used to report certain gambling winnings [About Form 945, Annual Return of Withheld Federal Income Tax | Internal Revenue Service \(irs.gov\)](#)). Follow IRS guidelines on how to pay any income tax withholdings or backup withholdings that have been collected.

- **Income Tax Withholding:** The parish or school is required to withhold income tax from a payment of winnings when the proceeds from the raffle's wager are more the \$5,000. The IRS defines proceeds from a wager as the "difference between the amount of the winnings and the amount of the wager."

In example #2 above, Mary's cash prize would also require that the parish deduct and withhold a portion of Mary's winnings. **The current raffle withholding rate is 24%.** Therefore, Mary's raffle prize would be \$6,080, while the parish withholds \$1,920 and pays it to the IRS.

The parish/school may also be required to withhold 24% as backup withholdings of raffle winnings for federal income tax **if** the winner does not provide a correct tax identification number (TIN) and winnings are between \$600 to \$5,000 ([Publication 3079 \(Rev. 10-2018\) \(irs.gov\)](#)). Further, there are

different withholding requirements for Nonresident Aliens, therefore it is important to review IRS guidelines in detail and contact a CPA for help if needed.

Non-Cash Prizes: If the parish is raffling a non-cash prize (such as a car), the proceeds from the wager are the “difference between the fair market value of the item won and the amount of the wager.” If the fair market value of the prize exceeds \$5,000 **AFTER** deducting the amount of the wager, income tax withholding must be paid. The IRS allows organizations to pay the tax using the following two methods:

- The winner pays the parish or school a withholding tax of 24% of the fair market value of the non-cash item less the amount of the wager.
- The organization holding the raffle pays the withholding tax for the winner, withholding 31.58% of the fair market value of the non-cash item less the amount of the wager.

Example 3- Joseph buys a \$20 raffle ticket for a car. The car is worth \$15,000. Joseph wins the car. Since this is a non-cash prize worth more than \$5,000 and is more than 300 times the price of the ticket ($\$20 \times 300 = \$6,000$), Mr. Smith must pay the church the 24% tax on the value of the car ($\$15,000 \times 24\% = \$3,600$) in order to claim the prize and prevent the church from being liable for the tax.

- **Raffle Winner Requirements:** The winner of the raffle must understand and comply with State and Federal regulations. The payee (winner) should provide the parish or school with their name, address, and social security number. The parish or school must verify the information using the winner’s driver’s license, Social Security card, voter registration card, or other proper identification. When the payee is one of a group of two or more winners, or is not the actual winner, he must complete and sign **Form 5754** [Instructions for Forms W-2G and 5754 \(01/2021\) | Internal Revenue Service \(irs.gov\)](#) and provide it to the parish or school.

The IRS states that any raffle winner for which the parish/school must withhold tax must sign **Form W-2G** [Form W-2G \(Rev. January 2021\) \(irs.gov\)](#) on which those winnings are reported. The IRS states that “by signing, the payee declares that no other person is entitled to any portion of the payment and that the winnings are subject to regular gambling withholding.”

If a raffle winner is a Nonresident Alien, the parish must review IRS guidelines in detail and contact a CPA for further assistance, given that IRS withholding and documentation requirements may differ from a U.S. Citizen or Permanent Resident.

Special Considerations when Raffling an Automobile

Any time the title of an automobile 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:

- 1) **Title:** We discourage the parish or school from taking ownership and title of the vehicle. Taking ownership requires payment of Ad Valorem taxes, obtaining a tag, and obtaining a short-term automobile insurance policy.
- 2) **Insurance:** If the parish/school takes ownership of the vehicle, then they bear responsibility for getting insurance coverage, and that period of “ownership” may be shorter than a few months. The Archdiocese’s Fleet Auto coverage is available for only a

full year of coverage. A better alternative is for the parish NOT to hold title to the vehicle.
3) **Ad Valorem Taxes:** These must be paid by any new owner on a title.

Cash Option: Some parishes/schools allow the raffle winner to take a cash option, rather than taking ownership of a 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.

For more information, please reference the following websites:

- The Official Code of Georgia ([O.C.G.A. § 16-12-22.1](#))
- [IRS Publication 3079 Gaming Publication for Tax Exempt Organizations](#)
- Your local County Sheriff's Office

Accounting for the Raffle Receipts

General best practices should be following for handling money from raffle ticket sales, including keeping the money under dual control, processing the full amount through the count, depositing in the operating bank account, and recorded in the general ledger. The money should be recorded in the ministry general ledger account if it supports the purpose of the ministry and as other income if the money is to support the operations of the parish. Purchases for the raffle should be processed through the accounts payable process; money should not be withheld for purchases. Note that the cost of the raffle ticket is not deductible as a charitable contribution. Raffle tickets should be sold in consecutive number order. If the tickets are distributed to multiple individuals for sales, there should be a log listing the name of the event, the name of the individual, and the ticket #s given. When money from sales is returned, there should be a process in place to verify that the correct amount of money and/or tickets were remitted based on the ticket sold.

If you have any questions about how to manage, or make decisions on Raffles of any type that are not explained within this document and the attached guidance, please contact:

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