

November 10, 2016

Considering a Raffle Fundraiser?

While a raffle may seem like an attractive option for a nonprofit organization seeking to diversify its fundraising avenues, the New York State Gaming Commission imposes a number of reporting and compliance obligations even for raffles generating modest revenue. Below is a step by step guide to rules and reporting obligations.

Step 1: Confirm that your nonprofit meets the prerequisites for conducting a raffle.

New York considers raffles to be “Games of Chance,” therefore nonprofits must meet certain criteria in order to be eligible to conduct a raffle:

1. The nonprofit must devote at least 75% of its programming to activities other than games of chance.
2. If the nonprofit requires a gaming license for the raffle (discussed below), then the organization must have performed at least 3 years of charitable work prior to filing.

Step 2: Review raffle guidelines.

There are certain rules that apply to all nonprofits attempting to conduct raffles regardless of their size, potential earnings, or mission. For a complete list of logistical guidelines, please refer to the New York State Gaming Commission’s link below:

- <https://www.gaming.ny.gov/pdf/Website%20Guidelines%20for%20Conducting%20Raffles%203%202014.pdf>

Step 3: Determine the appropriate raffle category for your nonprofit.

- Category 1: Nonprofit intends its cumulative net raffle proceeds to be \geq \$30,000 over the course of the calendar year.
- Category 2: Nonprofit intends net raffle proceeds from a single raffle to be \geq \$5,000, **OR** \geq \$20,000 for all raffles cumulatively over the course of the calendar year.
- Category 3: Nonprofit intends net raffle proceeds from a single raffle to be $<$ \$5,000, **AND** $<$ \$20,000 for all raffles cumulatively over the course of the calendar year.

Step 4: Submit the required forms based on your expected raffle category.

Each raffle category has its own forms to complete for the required application to the New York State Gaming Commission prior to filing a license application with the New York City Department of Consumer Affairs.

Category 1	<p>Complete the 1A-Application for Registration and Identification Number</p> <p>Submit (3) signed copies of the GC-2, GC-2A, and GC-2B application forms from the</p>
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	license application materials
Category 2	Complete the 1A-Application for Registration and Identification Number
Category 3	Nonprofit’s principal officers must make a good faith self-determination that the organization meets the qualifications of an “authorized organization” as that term is defined in Section 190-a (2) of the General Municipal Law

Link to page containing all of the above referenced forms:
<https://www.gaming.ny.gov/charitablegaming/pforms.php?ID=7>

For general guidelines and additional documents to file a license application with the New York City Department of Consumer Affairs and rules that apply to all categories, please refer to: <http://www1.nyc.gov/site/dca/businesses/license-checklist-games-of-chance.page>

All documents submitted to the New York City Department of Consumer Affairs must be submitted at least two weeks before the event start date.

Step 5: Follow the financial statement requirements for the New York State Gaming Commission and the New York City Department of Consumer Affairs.

Category 1	Submit a GC-7R Financial Statement of Raffle Operations by Jan. 30th of the year after the raffle was conducted to the New York State Gaming Commission: https://www.gaming.ny.gov/charitablegaming/pforms.php?ID=7 Pay the New York City Department of Consumer Affairs an additional license fee assessed at 2% of the net profits over \$30,000
Category 2	Submit a GCVS-2 Verified Statement of Raffle Operations to the New York State Gaming Commission by Jan. 30th of the year after the raffle was conducted (no additional fees apply): https://www.gaming.ny.gov/charitablegaming/pforms.php?ID=8
Category 3	No financial statement required

Note: If during the course of the calendar year net raffle proceeds turn out to place an authorized organization into an unexpected category, that organization should follow the forms and financial reporting protocol consistent with that new category’s requirements.

Step 6: Follow the IRS reporting requirements.

For a tax exempt nonprofit’s reporting obligations to the IRS please refer to:
<https://www.irs.gov/pub/irs-pdf/p3079.pdf>

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