

Information on Raffles

There may be state license requirements to conduct a raffle. Payment to a nonprofit organization for the purchase of a raffle ticket is NOT a tax deductible donation (a donor acknowledgment should not be sent).

REPORTING TO THE IRS:

If the value of the raffle prize is \$600 or more AND at least 300 times the amount of the wager, you must report to the IRS.

- Example:
 - \$2 per ticket
 - \$1,000 prize value
 - Winnings = \$998 (this is >\$600 and >300x the \$2 wager)

KEY POINTS TO REMEMBER:

- Complete Form W-2G at the end of the year
- You will need to get the winner's name, address and SS# (verify through ID)
- Form W-2G is due by Feb 28 (copy to winner by Jan 31) and is transmitted with Form 1096
- The winner must complete and sign Form 5754 if there is a group of winners

WITHHOLDING:

You must withhold income tax from a payment of winnings when the proceeds are > \$5,000

- Proceeds = fair value less wager
- Withholding rate = 28%

The winner should pay the withholding amount to the organization conducting the raffle. If the organization decides to pay the withholding amount on the winner's behalf - pay 33.3% (since winner gets the value of the prize + the value of the amounts withheld).

A Form W-2G will need to be completed by the organization and the winner should sign the Form W-2G.

Backup withholding: If the winner will not provide a correct SS# AND the winnings are \$600 or more (and 300x the wager), then the organization should withhold 28%.

Note: Normally, you would only withhold on prizes worth \$5,000 or more, but if the prize is worth between \$600 and \$5,000 AND the winner won't provide his/her SS#, then, you must withhold at the rate of 28%.

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OTHER TAX REPORTING:

Taxes withheld from gaming winnings are called non-payroll withheld taxes and must be reported on Form 945 (annual form- due Jan 31). If the total amount withheld is > \$2,500 for the year, you must deposit on a monthly or semi-weekly schedule using either a deposit coupon (Form 8109) or EFTPS.

INFORMATION NEEDED FOR SCHEDULE G OF FORM 990:

- Gross revenues from gaming
- Cash and non-cash prizes for each type of gaming
- States in which organization holds gaming licenses
- Name/address of gaming manager and person who prepares books/records