



Nonprofit Raffles

Legal Requirements in
South Carolina

*SECRETARY OF STATE
MARK HAMMOND'S OFFICE*

What is a raffle?

S.C. Code § 33-57-110

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South Carolina law defines “raffle” as a game of chance in which a participant is required to pay something of value for a ticket for a chance to win a prize, and the winner is determined by a random drawing or similar process in which all participants have an equal chance of winning.



Who can hold a raffle?

S.C. Code § 33-57-120(A)

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Only certain types of nonprofit organizations are able to conduct raffles in South Carolina.

Who can hold a raffle?

S.C. Code § 33-57-120(A)

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To determine if your organization can conduct raffles, you must look at the following criteria:

- 1) What type of nonprofit organization is it?
- 2) What is the purpose of the organization?
- 3) Is the organization compliant with the South Carolina Solicitation of Charitable Funds Act?

Who can hold a raffle?

S.C. Code § 33-57-120(A)

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1) What type of nonprofit organization is it?

- ▶ To conduct a raffle, a nonprofit organization must be an organization recognized by the SC Dept. of Revenue and the IRS as exempt from federal and state income tax pursuant to IRS Code Section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7), 501(c)(8), 501(c)(10), 501(c)(19), or 501(d); **or**
- ▶ A class, department, or organization of an educational institution as defined in the South Carolina Solicitation of Charitable Funds Act.

Who can hold a raffle?

S.C. Code § 33-57-120(A)

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2) What is the purpose of the organization?

To conduct a raffle, a nonprofit organization must be organized and operated for one of the following purposes:

- ▶ Religious
- ▶ Charitable
- ▶ Scientific
- ▶ Literary
- ▶ Education
- ▶ To foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment)
- ▶ For the prevention of cruelty to children or animals

Who can hold a raffle?

S.C. Code § 33-57-120(A)

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- 3) Is the organization compliant with the South Carolina Solicitation of Charitable Funds Act?
 - ▶ To solicit contributions in South Carolina, most organizations must register as a charitable organization with the Secretary of State or apply for a registration exemption on an annual basis. Thus, in order to conduct raffles, the organization must either be registered as a charity with the Secretary of State or have been approved for an annual registration exemption for the current fiscal year.

Who can hold a raffle?

S.C. Code § 33-57-120(A)

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- ▶ Churches, synagogues, mosques, and other houses of worship are excluded from regulation under the Solicitation of Charitable Funds Act, and would not be required to register as a charitable organization under the Solicitation of Charitable Funds Act in order to conduct raffles.
- ▶ However, a house of worship may be required to file a raffle registration depending on the types of raffles it conducts.



Who can hold a raffle?

S.C. Code § 33-57-120(A)

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An organization must meet all three criteria in order to conduct raffles in the state of South Carolina.

Who can hold a raffle?

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S.C. Code § 33-57-120(A)

A for-profit entity or a professional fundraiser cannot conduct charitable raffles in the state of South Carolina, nor can a nonprofit organization contract with another entity to conduct raffles on its behalf.



Exempt vs. Nonexempt Raffles

S.C. Code § 33-57-120(b)

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- ▶ Organizations which intend to conduct raffles may be required to file a raffle registration with the Secretary of State.
- ▶ Whether registration is required depends on the types of raffles the organization conducts.
- ▶ For purposes of registration, SC law categorizes raffles as either exempt or nonexempt.

Exempt vs. Nonexempt Raffles

S.C. Code § 33-57-120(b)

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Raffles that are exempt for the purposes of filing a raffle registration include:

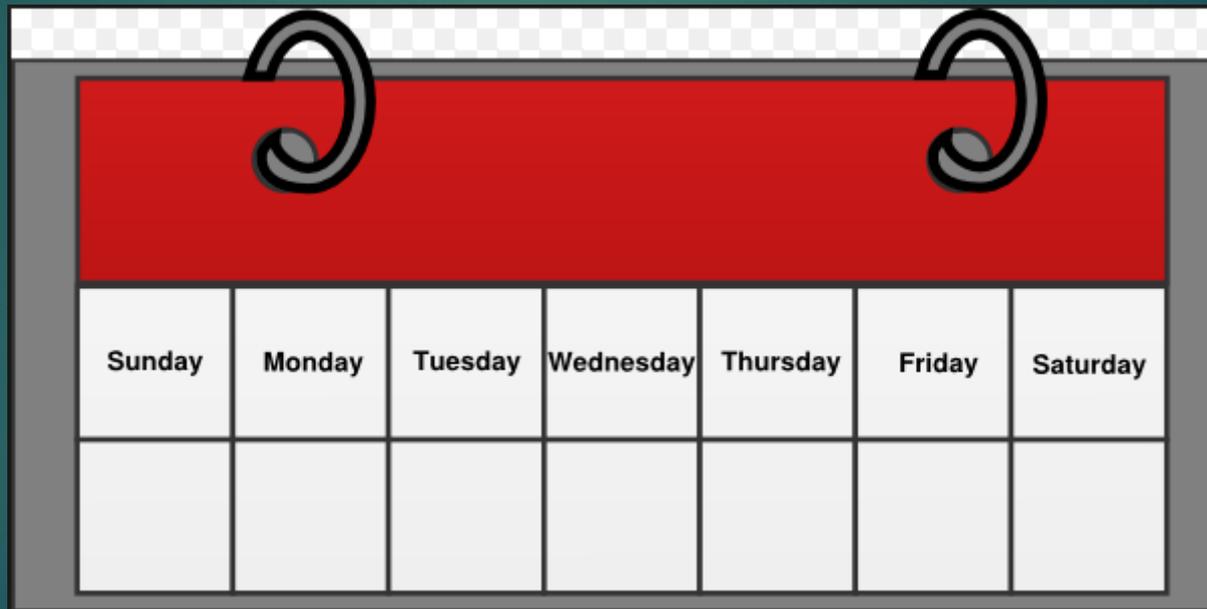
- ▶ Raffles in which a noncash prize is donated for the raffle and the total value of the prize or prizes for the raffle event are \$950.00 or less; and
- ▶ Fifty-fifty raffles in which the raffle tickets are sold to members or guests of the nonprofit organization (not to the general public), and the total value to the proceeds collected is not more than \$950.00.

Exempt vs. Nonexempt Raffles

S.C. Code § 33-57-120(b)

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An organization that is authorized to conduct raffles under the law may only hold one exempt raffle every seven days.



Exempt vs. Nonexempt Raffles

S.C. Code § 33-57-140(L)

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Nonexempt raffles may have larger prizes than exempt raffles. For example, in a nonexempt raffle:

- ▶ An individual prize awarded to each winner may not exceed the fair market value of \$80,000.00.
- ▶ For each raffle event, the total fair market value of prizes offered may not exceed \$300,000.00.



Exempt vs. Nonexempt Raffles

S.C. Code § 33-57-120(b)

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If a nonprofit organization intends to conduct nonexempt raffles, or both exempt and nonexempt raffles, then it must register with the Secretary of State.



Raffle Registration

S.C. Code § 33-57-120(c)

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- ▶ To register for the purpose of conducting raffles, a nonprofit organization must submit an annual raffle registration form to the Secretary of State, along with a registration fee of \$50.00.
 - ▶ An organization must only file one raffle registration each year.
 - ▶ The raffle registration is separate from registration as a charitable organization under the Solicitation of Charitable Funds Act.

Raffle Registration

S.C. Code § 33-57-120(c)

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The registration for the purpose of conducting raffles expires on the fifteenth day of the fifth month, or 4 ½ months, after the end of the nonprofit organization's fiscal year.

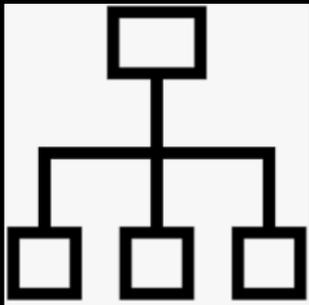


- ▶ FY January 1st to December 31st:
Due date is May 15th
- ▶ FY July 1st to June 30th:
Due date is November 15th

Raffle Registration

S.C. Code § 33-57-130

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- ▶ If a nonprofit organization has affiliates or subsidiaries that share the same Employer's Identification Number (EIN), then each affiliate or subsidiary may conduct up to four nonexempt raffles each year, provided that:
 - ▶ The affiliate or subsidiary is qualified to conduct raffles under SC Code §33-57-120(A).
 - ▶ The affiliate or subsidiary has filed its own registration form for the purpose of conducting raffles.

Raffle Financial Reports

S.C. Code § 33-57-150

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Nonprofit organizations that conduct nonexempt raffles must file an annual raffle financial report with the Secretary of State.

Raffle Financial Reports

S.C. Code § 33-57-150

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- ▶ The annual raffle financial report is due on the fifteenth day of the fifth month, or 4 ½ months, after the end of the nonprofit organization's fiscal year.
 - ▶ The annual raffle financial report is due at the same time the organization's raffle registration expires.
 - ▶ Unlike annual financial reports filed under the Solicitation of Charitable Funds Act, no filing extensions are provided for annual raffle financial reports.

Raffle Financial Reports

S.C. Code § 33-57-150

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The annual raffle financial report must contain the following information for each nonexempt raffle conducted by the nonprofit organization during the preceding fiscal year:

- ▶ The total value of all prizes offered, including:
 - ▶ All cash prizes
 - ▶ All donated noncash prizes
 - ▶ All purchased noncash prizes

Raffle Financial Reports

S.C. Code § 33-57-150

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- ▶ The amount of tickets sold and the cost of each raffle ticket.
- ▶ The amount of gross receipts.
- ▶ The amount of adjusted gross receipts (gross receipts minus amount of cash prizes and amount spent on noncash prizes).



Raffle Financial Reports

S.C. Code § 33-57-150

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The annual raffle financial report must also include:

- ▶ The total amount of all expenditures and expenses for the raffle.
- ▶ The amount of net receipts (adjusted gross receipts minus total expenses).

Finally, the report must be certified as true by the CEO and CFO of the nonprofit organization.

Raffle Financial Reports

S.C. Code § 33-57-150

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- ▶ In 2020, the annual raffle financial reporting requirements were streamlined; however, each nonprofit organization must retain detailed financial records for all prize offerings, expenditures and expenses, and how the net receipts of the raffle were used by the nonprofit organization.
- ▶ These records must be retained for three years and must be made available to law enforcement and the Secretary of State's Office at their request.

Restrictions on Raffle Receipts

S.C. Code § 33-57-140

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Except for fifty-fifty raffles, no less than 90% of the net receipts from a raffle must be used for the charitable purpose of the organization.



Raffle Advertisements

S.C. Code § 33-57-140

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If a nonprofit organization advertises a raffle event, the advertisement must contain the following information:

- ▶ The name of the nonprofit organization sponsoring the event;
- ▶ The charitable purposes for which the net receipts shall be used; and
- ▶ A statement of the proportion of the gross receipts of all raffles conducted in the previous two years that were not applied to charitable purposes.

Example of Raffle Advertisement

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2021 JEEP RAFFLE

SPONSORED BY **PALMETTO PET RESCUE**

Grand Prize--2021 Jeep Wrangler • Raffle Tickets--\$5.00 each
Drawing Date—July 4, 2021

- Net proceeds to benefit local spay/neuter programs.
- Visit raffle@palmettopets.org to purchase raffle tickets.
- Since 2019, 75% of all raffle receipts have directly supported Palmetto Pet Rescue's charitable programs.



Other Raffle Restrictions

S.C. Code § 33-57-140

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The purchase price of a raffle ticket may not exceed \$300.00.



Other Raffle Restrictions

S.C. Code § 33-57-140

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A nonprofit organization cannot offer real property as a prize in a raffle.

Other Raffle Restrictions

S.C. Code § 33-57-140

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- ▶ A raffle drawing must be held no later than nine months after the first raffle ticket is sold.
- ▶ A raffle drawing for a nonexempt raffle may not be held between the hours of midnight and 10:00 a.m.
- ▶ No raffle drawing may be held on Christmas Day.

Administrative Fines & Penalties

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S.C. Code § 33-57-160

- ▶ The Secretary of State may impose administrative fines of up to \$500.00 and/or seek injunctive relief for any other violations of the statutory provisions governing raffles.
- ▶ The Secretary of State may assess an administrative fine of up to \$500.00 for each violation and each day a person or organization is in violation of the law.

Administrative Fines & Penalties

S.C. Code § 33-57-150

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- ▶ An organization which fails to file its annual raffle financial report on time may be assessed by the Secretary of State an administrative fine of \$10.00 for each day of noncompliance, not to exceed \$2,000.00 for each separate violation.
 - ▶ Failure to pay the fine and/or file the report may result in revocation of the organization's registration.
 - ▶ The Secretary of State may also pursue injunctive relief against the delinquent organization in Administrative Law Court.

Administrative Fines & Penalties

S.C. Code § 33-57-160

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If a person or organization is assessed an administrative fine, has its registration suspended or revoked, or is denied registration by the Secretary of State, that person or organization has 30 days to file an appeal with the South Carolina Administrative Law Court.

Other Gaming Events

S.C. Code § 33-57-100

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- ▶ Although nonprofit raffles are now legal, “casino nights” and other fundraising events using gambling devices remain illegal, unless the event is conducted for entertainment purposes only and no prizes, financial awards, or incentives are received by the players.
- ▶ Likewise, events using electronic gambling devices, video poker, slot machines, and wagering on sports events are not permitted.



Nonprofit Raffle Filings

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Register Your Charity or Fundraiser

What type of organization?

Charity

Raffle

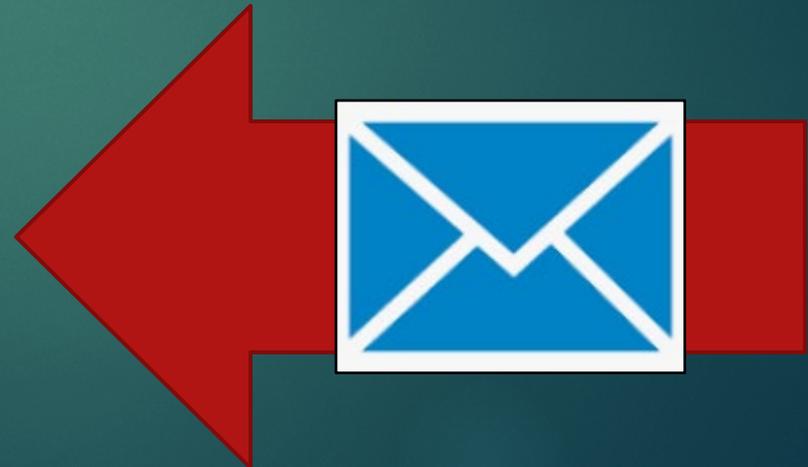
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Questions About Raffles?

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- ▶ Please send any questions you have about nonprofit raffles to charities@sos.sc.gov.
- ▶ Type “Raffle Webinar” in the subject line.



Contact information

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