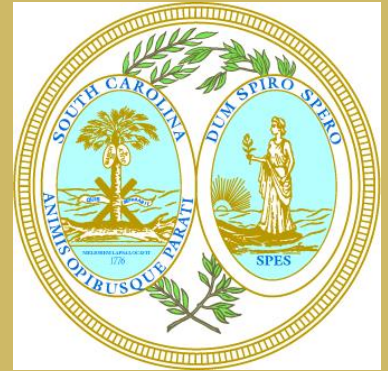


# NONPROFIT RAFFLES



## Legal Requirements in South Carolina

# WHAT IS A RAFFLE?

S.C. CODE §33-57-110

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)



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)

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)

## 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)

## 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

# WHO CAN HOLD A RAFFLE?

S.C. CODE §33-57-120(A)

## 2) What is the purpose of the organization?

- Educational
- 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)

## 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.



# WHO CAN HOLD A RAFFLE?

S.C. CODE §33-57-120(A)

## 3) Is the organization compliant with the South Carolina Solicitation of Charitable Funds Act?

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 Act in order to conduct raffles.

# WHO CAN HOLD A RAFFLE?

S.C. CODE §33-57-120(A)



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

# EXEMPT VS. NONEXEMPT RAFFLES

S.C. CODE §33-57-120(B)

- Organizations which intend to conduct raffles may be required to register 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)

Raffles that are exempt for the purposes of 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 \$500 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)

- 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)

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 \$40,000.00.
- For each raffle event, the total fair market value of prizes offered may not exceed \$250,000.00.

# EXEMPT VS. NONEXEMPT RAFFLES

S.C. CODE §33-57-130

A nonprofit organization may hold up to four (4) nonexempt raffles a year.

## 2015

January	February	March	April
S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
May	June	July	August
S M T W T F S 31 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 30 31 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29
September	October	November	December
S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

# EXEMPT VS. NONEXEMPT RAFFLES

S.C. CODE §33-57-120(B)

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)

- 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)

- 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.
  - For example, if the organization's fiscal year runs from January 1<sup>st</sup> to December 31<sup>st</sup>, then its registration will expire on May 15<sup>th</sup>.
  - If the organization's fiscal year runs from July 1<sup>st</sup> to June 30<sup>th</sup>, then its registration will expire on November 15<sup>th</sup>.

# RAFFLE REGISTRATION

S.C. CODE §33-57-130

- 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.

# ANNUAL FINANCIAL REPORTING

S.C. CODE §33-57-150



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

# ANNUAL FINANCIAL REPORTING

S.C. CODE §33-57-150

- 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.

# ANNUAL FINANCIAL REPORTING

S.C. CODE §33-57-150

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 amount of gross receipts.



# ANNUAL FINANCIAL REPORTING

S.C. CODE §33-57-150

- An itemized list of expenses incurred or paid, or expenditures to be made, including:
  - The name of each person, company, or governmental entity to whom the expense was or will be paid, and
  - A detailed description of the merchandise purchased or services rendered.



# ANNUAL FINANCIAL REPORTING

S.C. CODE §33-57-150

The annual raffle financial report must also include:

- The amount of net receipts.
- The use to which the net receipts have been or are to be applied.
- A list of prizes offered and given, with an estimate of their respective values.
- The number of raffle tickets sold.



# ADMINISTRATIVE FINES & PENALTIES

S.C. CODE §33-57-150

- 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

- 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 §33-57-160



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 Administrative Law Court.

# OTHER GAMING EVENTS

S.C. CODE §33-57-100

- 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.



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