

Catholic Diocese of Wichita
Policy on raffles and other games of chance

Policy Statement

Given the significant legal and tax issues inherent in conducting a raffle and/or other games of chance, all parishes, clubs or subsidiary organizations, departments or groups advertising themselves as benefiting a parish, school, or other diocesan entity are required to obtain approval from the Office of Development and Planning Giving prior to conducting the raffle/game of chance. The Office of Development and Planned Giving will provide specific and immediate assistance to all groups planning to conduct a raffle or other games of chance.

Purpose

The laws and tax considerations relevant to the operations of raffles and other games of chance are, at times, confusing and perplexing. They are easy to overlook or downplay in the excitement of the cause for which we are involved with at the time.

It is not the intention or desire of the Diocese to determine the need for or operations of every fundraising event held in a diocesan entity. These decisions are best arrived at within the parish and/or organization by committed parishioners, guided by the Pastor.

Yet, given the significant consequences that could result from not conducting raffles or other games of chance within the confines of the law, there is adequate reason for the diocese to ensure that these games are conducted within with legal parameters and applicable tax law.

Legal Considerations

The nature of conducting raffles and other games of chance in the State of Kansas require careful planning and execution to meet specific laws. For more information regarding these legal issues, please consult the diocese through the Development Office. If state and federal laws are not complied with, potential exists for the raffle or game a chance to be considered illegal with consequences to the appropriate corporate entity.

Procedure

Tickets

1. Organizations may request a donation for the raffle ticket, but may not require a donation. If a person requests a raffle ticket but does not wish to make a donation for it, the person must be given a free chance.

Advertising

2. All documents advertising or evidencing the raffle (i.e. a ticket) and any advertising should state, **“Donations accepted, but no donation or purchase necessary.”** This is a requirement of the Sedgwick County District Attorney’s Office. This practice is recommended even if you are outside of Sedgwick County, since other neighboring counties often look to the Sedgwick County District Attorney for guidance. A copy of the ad being placed in the *Catholic Advance* or other newspapers will be sent to the Development Office for approval.
3. You may print a suggested donation on the ticket. Additional tickets may not be given to individuals making larger donations. Thus, persons donating nothing, \$.25, \$1.00 or \$10.00, should all be given the same amount of tickets.

Rules surrounding withholdings and rates of taxation

4. All documents advertising or evidencing the raffle should state: **“Winner is subject to all applicable local, state and federal taxes.”**
5. W-9’s (Request for Taxpayer Identification Number and Certification)

For raffle items with a fair market value (FMV) greater than \$600, a W-9 (Request for Taxpayer Identification Number and Certification) must be completed by the winner and provided to the organization. If winner refuses to fully complete the W-9, the organization is required to collect backup withholdings of 28% of the FMV of the prize (see below).

6. Withholding

There are two types of withholding on raffle winnings: (1) regular gambling withholding at 25%, and (2) backup withholding at 28%. If a payment is already subject to regular gambling withholding, it is not subject to backup withholding. *(Note that the organization is responsible for paying gambling withholding or backup withholding whether it collects the withholding from the prize recipient or not. The best time to collect is before the prize is awarded.)*

- a. Regular Gambling Withholding

The organization must withhold 25% on prizes with a FMV greater than \$5,000. Regular gambling withholding applies to the total amount of gross proceeds, not merely to the amount in excess of \$5,000.

b. Backup withholding

If the winner does not furnish a correct social security number by providing Form W-9 to the organization, then the organization is required to withhold 28% of the winnings. This is referred to as backup withholding and applies to prizes with a FMV greater than \$600.

7. Non-cash prizes (e.g. a car)

If the prize is not cash, the FMV of the item won is considered the amount of the winnings. Withholding rates are applied to the FMV of the item won. The amount to be withheld should be collected from the prizewinner.

8. Deposit withholding taxes

If total gambling withholding (regular and backup) for the year is less than \$2,500, payment of the withholding taxes may be made with Form 945 (see below).

If total gambling withholding (regular and backup) is greater than \$2,500, then payment of the withholding must be made by the 15th day of the month following the month in which the withholding has been collected by the parish/organization. Payment may be made either electronically using the EFTPS system or at any authorized financial institution with Form 8109, Federal Tax Deposit (FTD) coupon.

9. W-2G (Certain Gambling Winnings)

Form W-2G must be completed by the organization and provided to each winner of raffle items with a FMV greater than \$600 by January 31 of the following year. Copies of all Forms W-2G must be sent to the IRS with Form 1096 by February 28 of the following year.

10. Form 945 (Annual Return of Withheld Federal Income Tax)

When regular gambling withholding or backup withholdings is collected, Form 945 (Annual Return of Withheld Federal Income Tax) must be filed by the organization to report the amount withheld. Form 945 is filed annually by January 31 of the following year. If the due date falls on a Saturday, Sunday, or a legal holiday, the return is due the next business day.

Donated items

11. When an individual has donated a prize for a raffle, specific rules apply for the way in which a Charitable Contribution Receipt is provided to the donor. In addition, specific reporting requirements to the Internal Revenue Service apply. Please check with the Development or Finance Office of the Chancery for detail.

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