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### Considering a Raffle Fundraiser?

A raffle fundraiser can be an attractive option for nonprofit organizations seeking to diversify their fundraising avenues. Nonprofits should be aware that conducting a raffle may trigger 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 for organizations conducting raffles in New York City.

#### **Step 1: Confirm that your nonprofit organization is eligible to conduct a raffle in New York State.**

New York State considers raffles to be “games of chance.” Therefore, nonprofits must meet certain criteria under General Municipal Law Section 190-a(2) to be eligible to conduct a raffle as an “authorized organization”:

1. The nonprofit organization must devote at least 75% of its programming to activities other than conducting games of chance; **AND**
2. The nonprofit organization must have performed at least one (1) year of charitable work prior to conducting the raffle (if a Games of Chance license is required, as discussed in Step 4 below, this requirement is increased to three (3) years).

#### **Step 2: Review the raffle guidelines.**

Certain rules apply to all nonprofits attempting to conduct raffles regardless of their size, potential earnings, or mission. Among other things, there are strict limits on who may staff the raffle, where and when it may be held, who may buy tickets, and the size of prizes. For a complete list of the current logistical guidelines, please refer to the [guidance document issued by the](#) New York State Gaming Commission (“Gaming Commission”). There may be additional requirements imposed by the local government. For raffles in New York City, refer to the Department of Consumer Affairs (“NYCDCA”) [website](#).

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

- **Category 1:**
  - Nonprofit’s cumulative net proceeds from all raffles over the course of the calendar year are  $\geq$  \$30,000; **OR**
  - Nonprofit’s net proceeds from a single raffle are between \$5,000 and \$29,999.
- **Category 2:** Nonprofit’s net proceeds from a single raffle are  $<$  \$5,000 **AND** cumulative net proceeds from all raffles over the course of the calendar year are  $<$  \$30,000.

*The procedures described in this legal alert apply only to in-person raffles. An organization that wants to conduct a raffle or sell raffle tickets over the internet or via a mobile app must first obtain specific approval to do so from the Gaming Commission. The Gaming Commission estimates that putting the necessary protocols in place will cost the host organization at least \$30,000 annually.*

**Step 4: Before the raffle -- submit any required forms based on your expected raffle category.**

Applicable forms must be completed and filed with the Gaming Commission) and the NYCDCA *prior to conducting the raffle*. All forms submitted to the NYCDCA must be submitted at least *two (2) weeks* before the event start date.

<b>Category 1</b>	<p>If cumulative net proceeds from all raffles during the calendar year will be at least \$30,000:</p> <ul style="list-style-type: none"> <li>• File <a href="#">Form 1A</a> with the Gaming Commission to apply for and obtain a Games of Chance Identification Number.</li> <li>• File with the NYCDCA three (3) copies of Forms <a href="#">GC-2</a>, <a href="#">GC-2A</a>, and <a href="#">GC-2B</a>, and proof of right to use the premises where the raffle will be held, together with a \$25 annual license fee, to apply for and obtain a Games of Chance License.<sup>1</sup></li> </ul>
	<p>If net proceeds from a single raffle will be between \$5,000 and \$29,999:</p> <ul style="list-style-type: none"> <li>• File <a href="#">Form 1A</a> with the Gaming Commission to apply for and obtain a Games of Chance Identification Number from the Gaming Commission.</li> <li>• File <a href="#">Form GCVS-1</a> with the NYCDCA attesting to the expected size of the raffle.</li> </ul> <p>There is no requirement to obtain a Games of Chance License for this sub-category.</p>
<b>Category 2</b>	<p>No forms are required to be filed.</p> <p>However, the nonprofit organization’s principal officers must make a good faith self-determination that the organization meets the qualifications of an “authorized organization” as defined in General Municipal Law Section 190-a(2).</p>

**Step 5: After the raffle -- follow applicable financial statement filing requirements.**

<b>Category 1</b>	<p>If cumulative net proceeds from all raffles during the calendar year will be at least \$30,000:</p> <ul style="list-style-type: none"> <li>• File <a href="#">Form GC-7R</a> with the NYCDCA, with a copy to the Gaming Commission, to provide a financial statement of raffle operations.</li> <li>• If net raffle profits exceed \$30,000, pay the NYCDCA an additional license fee assessed at 2% of any net profits exceeding \$30,000.</li> </ul>
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<sup>1</sup> A complete list of NYCDCA’s requirements, including how to demonstrate proof of the right to use the premises, is available at <https://www1.nyc.gov/nycbusiness/description/games-of-chance-license/apply>

	Filings and payments must be submitted by January 30 of the year following the raffle.
	If net proceeds from a single raffle will be between \$5,000 and \$29,999 (and cumulative net proceeds from all raffles during the calendar year are less than \$30,000):  No forms are required to be filed.
<b>Category 2</b>	No forms are required to be filed.

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

**Step 6: Follow the Internal Revenue Service's reporting requirements.**

For a tax-exempt nonprofit organization's federal tax reporting obligations for charitable gaming, please refer to [IRS Publication 3079](#).

***Additional Raffles Legal Resources:***

- The New York State Games of Chance Licensing Law can be found at Article 9-A of the General Municipal Law. The Gaming Commission's regulations are at 9 NYCRR Part 4600 et seq.
- For the Gaming Commission's guidelines, forms and instructions, visit: <https://gaming.ny.gov/charitablegaming/index.php?ID=0>
- The New York City law governing games of chance is found at 20 NYC Admin. Code 20-433 et seq.
- For NYCDCA's guidelines, instructions and an online application for the Games of Chance License, visit: <https://www1.nyc.gov/nycbusiness/description/games-of-chance-license/about>. A Games of Chance License is required for any nonprofit organization that will operate games of chance in New York City where prizes are awarded on the basis of a designated winning number(s), color(s), or symbol(s), determined by chance.

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