

Raffles, Revisited

10.29.21 | Linda J. Rosenthal, JD



Charity raffles are a consistently popular way that nonprofits – especially smaller ones – raise money.

From the outside looking in, these fundraisers appear simple and straightforward; a surefire way to generate new revenue on a one-time basis or more regularly, with relatively little hassle.

But that's deceptive; they are tightly regulated in almost all jurisdictions around the nation. Why? Because raffles are considered a form of "gaming" aka "gambling." And we Americans have long had a complicated relationship with anything that smacks of gambling.

Legislators concede that the social good from charity raffles outweighs the perceived harm from gambling run amok, so they've given way just a bit and approved the narrowest of exceptions to broader gaming restrictions.

Serious Knowledge Gap

For many volunteer board trustees as well as young or inexperienced staffers, it's news that they can't dive into the raffle waters head first.

That was the premise of one of our earliest blog posts on this topic over six years ago. See [*It's Just A Little Raffle: What's The Big Deal?*](#) (June 29, 2015). "At a conference table somewhere in California," we wrote, "yet another group of charity trustees is stepping – blindly – into a pile of trouble." In that post, we explained the rules in effect at that time. In later posts, we discussed an amendment and also clarified more points.

A while back, the California Association of Nonprofits conducted research on charity raffles here. See [*Survey finds nonprofit raffles are popular, grassroots-based, and misunderstood.*](#) "Nonprofits are unfamiliar with California raffle regulations," the researchers concluded, adding: "38% of respondents acknowledged in so many words they are 'unfamiliar' with raffle requirements."

And actual failures of compliance back up this point: "Only 51% of those organizations that held raffles also filed the annual Nonprofit Raffle Report form required by the State of California." Additionally, the researchers noted that a "small but significant number of respondents reported giving cash prizes of more than 10% of total receipts or selling tickets on the internet, perhaps without realizing that both activities are prohibited by law."

That's a serious ongoing knowledge gap, made all the more problematic because violations of gambling laws can be criminal matters. In California, there is a constitutional ban on "lotteries" unless specifically excepted in California Penal Code section [320.5](#). "[C]harities and certain other private nonprofit organizations may conduct raffles to raise funds" but only if "at least 90 percent of the gross receipts go directly to beneficial or charitable purposes in the state." [There is a tiny sliver of an exception to this exception – the 50/50 [Major League Sports Raffle Program](#) established by Penal Code 320.6.]

When – as now – there is economic upheaval and disruption, and nonprofits are looking for new revenue opportunities, there likely will be a surge of additional organizations wanting to get in on this game, but not all will be eligible or will have jumped through each and every hoop necessary even to begin the process of pre-registering the proposed raffle events.

"Unless specifically exempted, a nonprofit organization must register with the Attorney General's Registry of Charitable Trusts before the raffle and must also file an aggregate financial disclosure report for all raffles held during the reporting year." (By the way, the "raffle year" runs from September 1 – August 31st, which is inconsistent with almost every other likely fiscal reporting choice like the calendar year or a July 1 – June 30th fiscal year or an October 1 – September 30th fiscal year.)

And – just so you know – almost nothing connected with the raffle can be done on the internet.

Online Resources

What *is* online, though, is an invaluable resource provided by the State of California. The "raffle" page of the website of the Registry of Charitable Trusts, Office of the California Attorney General, is a one-stop-shop of convenient training and education.

Of particular help is a new 17-minute webinar (a slideshow with narration) that explains the who, what, when, where, and how of charity-raffle eligibility, application process, registration forms and issues, raffle operation, and post-raffle reporting duties. The Raffle Webinar gives detailed, line-by-line instructions (with screen shots) for filling out the required Registry of Charitable Trust application, registration, and reporting forms.

There are links as well to the governing [statute](#) and [regulations](#) and to a [Frequently Asked Questions](#) section.

Conclusion

The California Attorney General's Office, on its Raffles page, addresses an issue of likely concern related to the pandemic period. Some – perhaps many – organizations may have scheduled one or

more raffles (and registered the upcoming event) but – due to COVID-19 concerns or restrictions – canceled or postponed.

Under a banner reading “COVID-19 and the 2020 Raffle Year” is the following instruction: “A raffle report (CT-NRP-2) form is still required if you registered for the 2020 raffle year (09/01/2019 to 08/31/2020) even if you did not hold a raffle or postponed it.” Presumably, the same instructions would apply for affected events during the 2021 raffle year ending August 31, 2021. The due date for that raffle report was on or before October 1, 2021.

Even if a deadline is missed, promptly file the overdue reports.

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