

## Raffles

All raffles must comply with the Texas Charitable Raffle Enabling Act.

A raffle prize offered or awarded cannot be money.

All Entities must adopt and post “Official Rules” of the raffle when conducting them. The Diocesan template of “Official Rules” is the minimum required rules for conducting a raffle.

The IRS has reporting and tax withholding for raffle prizes in excess of \$600. A summary of such requirements follows. Specific Information can be found in IRS Publication 3079 and the Current Tax Year Instructions for IRS Form W-2G. (Withholding rates may change from time to time.)

1. The entity is required to complete a W-2G (multiple copies) at the time of the award. This form is available at [www.irs.gov](http://www.irs.gov) as a fill-in-the-blank pdf. form. Copy A is filed with the IRS (with form 1096 in January of the year after the year of the raffle), copies B and C are given to the winner at the time of the award and copy D is retained by the entity. One W-2G must be done for each prize in excess of \$600. Prizes valued at less than \$5,000 are not subject to federal income tax withholding (but see step 3 below).
2. If the prize is valued at \$5,000 or more, the prize is subject to 25% federal income tax withholding. The check for the withholding is sent to the IRS with Form 945 (Annual Return of Withheld Federal Income Tax) for the withholdings reported on forms 1099 and W-2G. This amount must be collected from the winner at the time of the award.
3. If the winner fails or refuses to provide his or her TIN (Taxpayer Identification Number, normally a social security number), then the winnings are subject to 28% backup withholding on the amount of the value of the prize between \$600 and \$5,000 and to 25% backup withholding on the value of the prize in excess of \$5,000. These withholdings are filed and paid to the IRS as in number 2 above.

**No raffle prize valued in excess of \$5,000 can be given to the winner until the entity collects any required federal income tax withholding from the winner.**

<b>Summary Information</b>	
<i>Requirements</i>	<ul style="list-style-type: none"> <li>• Generally, gambling winnings are reportable if the amount paid reduced (at the option of the payer) by the wager is:               <ul style="list-style-type: none"> <li>• \$600 or more</li> <li>• At least 300 times the amount of the wager</li> </ul> </li> </ul>
<i>State Requirements</i>	<ul style="list-style-type: none"> <li>• In the state of Texas, the prize offered or awarded at a raffle may not be money, must be owned by the sponsor prior to the raffle and raffles are limited to two per year.. Bingo is not considered a raffle.</li> </ul>
<i>Determining if Withholding</i>	<ul style="list-style-type: none"> <li>• The wager must be subtracted from the value of the total winnings to determine whether withholding is required and to determine whether reporting is required.</li> </ul>

<i>is Required</i>	<ul style="list-style-type: none"> <li>• The wager must be subtracted at the time of the first payment.</li> </ul>
<i>Withholding Rates According to IRS</i>	<ul style="list-style-type: none"> <li>• IRS regulations are applicable to raffles that are held in the state of Texas.</li> <li>• The regular gambling withholding rate applies. The organization must withhold federal income tax at this rate from the amount of winnings less the amount wagered <u>if such winnings less the wager exceed \$5,000.</u></li> <li>• Regular gambling withholding applies to the total amount of gross proceeds (winnings minus the amount wagered) not merely to the amount in excess of \$5,000.</li> <li>• Multiple prizes of \$5,000 or less are subject to the regular gambling withholding rate if the aggregate proceeds from the wager will exceed \$5,000.</li> <li>• The winner must pay the appropriate income tax to the sponsor, or the sponsor can pay the income tax and add it to the W-2G.</li> <li>• See IRS Form W-2G and related Instructions</li> </ul>

Refer to the Internal Revenue Service website at [www.irs.gov](http://www.irs.gov) for detailed instructions and the appropriate forms.