

Raffles, Gaming, and Gambling

Saturday night bingo in the church hall, raffles at the annual fundraising event, one-armed bandits in homeowner association clubhouse, casino nights, video lottery at the veterans' club, poker night at the fraternal lodge, hole-in-one challenges at the annual golf tournament... All of these are examples of gaming often found occurring at organizations exempt from federal and state income tax.

For many years now, it has been a common sight at many exempt organizations to see these sorts of activities occurring. Most do it to help raise funds for their nonprofit. But whatever the reason, an organization conducting any type of gaming should understand how the activity can impact its federal or state tax-exempt status, as well as its tax and information reporting responsibilities.

The IRS publishes an informative brochure ([Publication 3079](#)) that can help organizations who operate gaming activities. It includes important information needed to ensure the activities are carried out in a manner that will not jeopardize its exempt status or generate unexpected tax bills (e.g. unrelated business income tax). Most states and localities strictly regulate gaming by exempt organizations. The IRS publication does not address state or local gaming licensing requirements. So for licensing requirements, you should consult the appropriate agencies in your locale.

DISCLAIMER

This material is presented with the understanding that the author is providing basic information only, and assumes no liability whatsoever in connection with its use. Tax laws are constantly changing, are subject to differing interpretations, and the facts and circumstances in any particular situation may not be the same as those presented here. Therefore, we urge you to do additional research and make sure that you are fully informed and knowledgeable before using the information contained herein.