

CALIFORNIA RAFFLE REGULATIONS

“In California, charities and certain other private nonprofit organizations may conduct raffles to raise funds for beneficial or charitable purposes in the state. This exception to the general constitutional prohibition against lotteries requires that at least 90 percent of the gross receipts from these raffles go directly to beneficial or charitable purposes in California. Unless specifically exempted, a nonprofit organization must register with the Attorney General's Registry of Charitable Trusts prior to conducting the raffle and file financial disclosure reports on each raffle event.”

What organizations qualify and how the raffles must be conducted are governed by Penal Code section 320.5, which was added by Senate Bill 639 (McPherson, Chapter 778, Stats. of 2000).” (as quoted by the CA Attorney General's website)

Forms for registering and reporting activities are provided on the CA Attorney's website (<http://oag.ca.gov/charities/raffles>). For information regarding raffles use the new [search feature](#) at this site.

Questions & Answers from the CA Attorney General's website:

1. May charities now hold raffles to raise funds?

The state constitution and Penal Code provide a narrow exception to the prohibition against gambling in California. Certain tax-exempt groups such as charities may hold fundraising raffles.

2. What is a raffle?

A raffle is a type of lottery in which prizes are awarded to people who pay for a chance to win. Each person enters the game of chance by submitting a detachable coupon or stub from the paper ticket purchased. A raffle must be conducted under the supervision of a natural person age 18 or older. At least 90 percent of the gross receipts from raffle ticket sales must be used by the eligible tax-exempt organization to benefit or support beneficial purposes in California. Groups are prohibited from awarding raffle prizes by use of a gaming machine, apparatus, or device such as a slot machine. A raffle also

may not be operated or conducted over the Internet. However, the organization conducting the raffle may advertise the raffle on the Internet. (See Penal Code section 320.5 and [Laws and Regulations](#))

3. Do we need to register if we call our raffle an “opportunity drawing”? What sort of raffle can we have if we don’t want to register?

If participants are required to purchase a ticket in order to have a chance to win a prize, the drawing is subject to the provisions of Penal Code section 320.5 and related regulations.

Penal Code section 320.5, subdivision (m) states that a raffle is exempt from registration with the Attorney General’s Office if all of the following are true:

- a) It involves a general and indiscriminate distributing of the tickets.
- b) The tickets are offered on the same terms and conditions as the tickets for which a donation is given.
- c) The scheme does not require any of the participants to pay for a chance to win.

4. I want to verify that the type of raffle I want to hold is legal even if it doesn’t meet all of the criteria in Penal Code section 320.5. Can you give me advice?

The Office of the Attorney General does not provide legal advice to members of the public. If you are not sure that your organization is holding a raffle in compliance with section 320.5, we suggest that you consult private legal counsel.

5. Can an individual raffle off his house to pay off the mortgage if he gives any remaining funds to charity?

No. Only eligible organizations as defined in Penal Code section 320.5, subdivision (c) may conduct raffles in California, provided they are registered with the Attorney General’s Office before conducting any raffle activities. The purpose of the statute is to benefit eligible organizations. Individuals, corporations, partnerships, and other legal entities are prohibited from having a financial interest in a raffle. (Pen. Code, § 320.5, subd. (g).)

6. Can individuals affiliated with the nonprofit organization

conducting the raffle purchase raffle tickets?

Penal Code section 320.5 does not prohibit members of the organization from participating in the raffle.

7. Who may hold raffles?

Only eligible private, tax-exempt nonprofit organizations qualified to conduct business in California for at least one year prior to conducting the raffle may conduct raffles to raise funds for the organization and charitable or beneficial purposes in California.

Eligible Organizations are charities and religious or other organizations that have been exempted from state taxation by the Franchise Tax Board under the following Revenue and Taxation Code sections: 23701a (labor, agricultural, or horticultural organizations other than cooperative organizations); 23701b (fraternal orders); 23701d (corporations, community chests, or trusts operating exclusively for religious, charitable, or educational purposes); 23701e (business leagues, chambers of commerce); 23701f (civic leagues, social welfare organizations, or local employee organizations); 23701g (social organizations); 23701k (religious or apostolic corporations); 23701l (domestic fraternal societies); 23701t (homeowners' associations); and 23701w (veterans' organizations).

If an organization needs a copy of its exemption letter, one can be obtained by [contacting the Franchise Tax Board](#) or by using their "[Entity Status Letter](#)" tool. In addition, lists of California tax-exempt organizations by category may be found on FTB's [Exempt Organizations List page](#).

8. I don't know if my organization qualifies as an "eligible" organization under Penal Code section 320.5. How do I find out?

An "Eligible Organization" is defined in section 320.5, subdivision (c) as a "private, nonprofit organization that has been qualified to conduct business in California for at least one year prior to conducting a raffle and is exempt from taxation pursuant to Sections 23701a, 23701b, 23701d, 23701e, 23701f, 23701g, 23701k, 23701l, 23701t, or 23701w of the Revenue and Taxation Code." This information can be found on the exemption letter received by an organization from the Franchise

Tax Board. A copy of the organization's exemption letter can be obtained by contacting the Franchise Tax Board if it cannot be found in the organization's files.

If an organization needs a copy of its exemption letter, one can be obtained by [contacting the Franchise Tax Board](#) or by using their "[Entity Status Letter](#)" tool. In addition, lists of California tax-exempt organizations by category may be found on FTB's [Exempt Organizations List page](#).

9. What is the 90/10 rule? Does it apply to 50/50 raffles?

Penal Code section 320.5, subdivision (b)(4)(A) states that 90 percent of the gross receipts generated by sale of raffle tickets for any given draw are to be used by the eligible organization for charitable purposes. For example: An organization raised \$100 in ticket sales. It would be required to spend \$90 of that amount to further its charitable purposes, and only \$10 could be used to help pay for expenses or operating costs associated with conducting the raffle.

The organization is not precluded from using funds from sources other than the sale of raffle tickets to pay for the administration or other costs of conducting the raffle. However, the organization must exercise due care in using other funds. The misuse of restricted assets or the use of unrestricted assets which results in losses to the corporation may subject the board of directors to personal liability for breach of fiduciary duty. The 90/10 rule applies to 50/50 raffles, in which 50 percent of ticket-sale revenue is awarded as the prize and 50 percent of the revenue is retained by the organization conducting the raffle. 50/50 raffles are illegal because 90 percent of the gross ticket-sale revenue is not used for charitable purposes.

10. What happens if we do not meet the 90/10 requirement?

Penal Code section 320.5 is a criminal statute. Violations may be forwarded to the local district attorney, city attorney, or county counsel for investigation and possible prosecution. In addition, the Attorney General may take legal action under the provisions of the Nonprofit Corporation Law for breach of fiduciary duty or waste of charitable assets. The raffle registration may also be suspended or revoked. (See

section 419.2(a)(2) of the raffle regulations, which can be found on our website: oag.ca.gov/charities/raffles.)

11. Does an organization already registered as a charity, need to register separately to conduct a raffle? Are there separate reporting requirements?

Yes. Raffle registration is a separate requirement from charity registration. Separate reports on each raffle conducted during the year (September 1 through August 31) must be filed by September 1.

12. Must all eligible organizations register and report?

Nonprofit religious organizations, schools, and hospitals are exempt from the registration and reporting requirements; however, even though they are not required to register and report, those organizations must still comply with all other provisions of Penal Code section 320.5.

13. May we sell raffle tickets prior to the raffle drawing if we are not currently registered?

No. You must obtain a confirmation letter from our office prior to conducting any raffle activities. This includes selling tickets to an event that will be held in the future. If you wish to conduct the drawing after September 1 of any year, but you wish to sell tickets prior to September 1 of that year, you must register for both years.

14. If an organization gives away raffle tickets, does it have to register and report?

Registration is not required if all tickets for a drawing are free, solicitations of voluntary donations to the organization are in no way connected to distribution of tickets, and this is made clear to all participants. If you require a "donation" in return for a ticket, you must register.

15. How do I register to conduct a raffle?

Complete the raffle annual registration form (CT-NRP-1) and mail it to the Registry with your \$20 registration fee. Checks should be made payable to the Department of Justice.

It is also possible to register online at: <http://oag.ca.gov/charities/forms>

Please note, you must receive written confirmation of your registration before conducting any raffle activities, including the sale of tickets. Raffle registration forms are available on the Internet at [Charities Forms](#), or may be requested by mail, fax, or telephone.

16. When is the deadline for registration, and can I still submit an application if I miss the deadline?

The registration period for raffles runs from September 1 to August 31, and registration applications are due by September 1. If an eligible organization that has not registered by September 1 determines after that date that it will conduct a raffle during the year (September 1 through August 31), the organization must submit its registration application at least 60 days before the scheduled date for the **raffle**. Applications are processed in the order received, and no expedited service is available. If an organization requires confirmation of receipt of its application, the application should be sent to the Registry via certified mail.

17. How long is a raffle registration valid?

A raffle registration is good from the date registration is issued through August 31. A new registration must be issued to cover raffles conducted in the succeeding registration period of September 1 through August 31.

18. If my organization registers but decides not to hold a raffle, is the fee refundable?

No.

19. What information must we provide for raffle registration?

An eligible nonprofit group must furnish on the registration form:

- a) Name of organization;
- b) Address of organization;
- c) One or more of the following:
 - i. Federal Tax/Employer Identification Number (assigned by the Internal Revenue Service and usually found on the IRS letter granting exemption from federal taxes. Contact the Exempt Organization Section of the IRS at (877) 829-5500; or [irs.gov](#) with questions); or

- ii. Corporate Number (assigned by the Secretary of State at the time the articles of incorporation are endorsed and filed); or
- iii. Organization Number (assigned by the Franchise Tax Board to associations, trusts, and organizations that are not incorporated in California but do business in California); or
- iv. California Charitable Trusts Identification Number (assigned by the Registry of Charitable Trusts to organizations required to register and report with the Registry).
- v. Name and title of a "fiduciary," which is a person such as a director, officer, trustee or other individual occupying a similar position of responsibility in the organization.

20. Our organization is a chapter which shares its tax-exempt status with a national organization. Can we conduct our own raffles?

Only an "eligible organization" may conduct a raffle. An "eligible organization" must have conducted business in California for at least one year and it must be exempt from taxation under one of the subsections of Revenue and Taxation Code section 23701 listed in Penal Code section 320.5, subdivision (c). If the organization does not have an independent tax exemption from the Franchise Tax Board, it is not, by definition, an "eligible organization."

Whether a "chapter" (sometimes referred to as a "subsidiary" or "child") of a national office or other organization ("parent") may conduct a raffle is determined on a case-by-case basis after a review of relevant facts:

- a) Does the parent organization qualify as an "eligible organization"?
- b) Is the subsidiary funded by the parent?
- c) Do the parent and subsidiary file a combined IRS Form 990?
- d) How independent is the subsidiary from the parent, and to what degree does the parent control and manage the subsidiary?
- e) If the parent is an "eligible organization" and there is a true parent-subsidiary relationship, only the parent is required to register on behalf of raffles conducted by the parent and subsidiary. It is also responsible for filing all subsequent raffle reports. The parent is ultimately responsible for conducting the raffle, but may delegate responsibilities to the subsidiary.

21. My organization has changed the raffle date noted on the regulation form. Do we need to contact the Registry?

No. You can indicate the revised date on the Nonprofit Raffle Report when it is completed and filed.

22. When is the Nonprofit Raffle Report disclosing raffle activities required to be filed?

A separate disclosure report is required for each raffle held by the organization. The reports may be filed with the Registry of Charitable Trusts anytime after the conclusion of a raffle, but must be filed no later than September 1 of each year for activities in the current registration period.

23. What kind of record keeping is required?

The required information appears on the Nonprofit Raffle Report form (CT-NRP-2). Basically, the organization must report the date and location of the raffle held, total funds received from the raffle, total expenses for conducting the raffle, the charitable or beneficial purpose for which raffle proceeds were used or the amount and organization to which proceeds were directed. (See Nonprofit Raffle Report form at: oag.ca.gov/charities/forms.)

24. Are there limits on raffle prizes?

State law does not specify any limits on the value of raffle prizes.

25. Does an organization report individual buyers of raffle tickets?

No.

26. When can an organization expect to receive confirmation of registration?

Depending on volume, it could be up to 60 days after receipt of the registration form.

27. What are the consequences for an eligible organization that fails to register with the Attorney General's Registry of Charitable Trusts to conduct raffles in California?

Gambling is illegal in California unless it is permitted by statute. A raffle is defined as gambling unless it meets all of the criteria set forth in

Penal Code section 320.5. One of the criteria is that an eligible organization must be registered with the Attorney General prior to conducting any activity associated with a raffle. Failure to comply with the provisions of section 320.5 is a misdemeanor. Violations of section 320.5 may be forwarded to the local district attorney, city attorney, or county counsel for enforcement. Section 320.5 and related regulations can be found on our website at oag.ca.gov/charities/raffles.

28. What is my recourse if a raffle was cancelled, the drawing was not held or was delayed, or a different prize was substituted for the prize that was advertised?

You may fill out the complaint form available on our website: oag.ca.gov/charities/forms. All complaints submitted to the Registry of Charitable Trusts must be in writing. If an organization did not hold a scheduled raffle and did not return funds to ticket purchasers, you may also contact local law enforcement (the police department or district attorney), the city attorney or county counsel, and/or the Department of Consumer Affairs.

29. If an organization is interested in conducting a casino night, where do we go to get information on how to register and what are the requirements?

Rules and regulations regarding nonprofit casino nights can be found at ag.ca.gov/gambling/charitable