

CAMPAIGN FOR ENDING HUNGER FUNDRAISING

Games of chance (i.e., raffles, cash calendars, 50/50s) have been a popular way for credit unions to raise money to support the Campaign. Given the appeal of these fundraisers, it is important that credit unions understand Maine's gaming laws.

Credit unions conduct fundraising efforts under their own names, with Maine Credit Unions' Campaign for Ending Hunger being the entity to which **all** fundraising is contributed. Accordingly, it is important that credit unions comply with existing gaming regulations and consult their own attorney for advice regarding the same to the extent needed.

To assist, however, the League provides the following guidelines that we recommend your credit union follow when facilitating games of chance.

FUNDRAISING USING RAFFLES AND SWEEPSTAKES

Raffles

Though raffles may feel like a harmless and ubiquitous part of fundraising, there are several pitfalls that await the unwary. Raffles are defined in Maine law as games of chance and are illegal unless conducted in a manner as detailed in the statute. To remain in compliance with state laws, raffles must meet the following criteria:

- ✓ The value of the raffle prize may not exceed \$2,500.
 - If the value is higher, you will need to register your raffle with [Maine's Gambling Control Unit \(GCU\)](#).
 - If you hold a registered raffle with the GCU, you must retain sales records and ticket stubs for three years.
- ✓ **Payment must be made by cash or check.** Fund transfers, debit, or credit card transfers **are not permitted** without prior authorization by the GCU.
- ✓ Ticket sales and payments must occur in-person. Phone sales and internet sales are not allowed.
- ✓ Raffle tickets, winnings, or payment for raffle tickets may not be placed in the mail.

Sweepstakes

An alternative fundraising approach to consider is a **no-purchase-necessary** sweepstakes because it is not considered a game of chance and is not subject to the statutory and regulatory requirements of a raffle. This type of sweepstakes must allow for a member to obtain an entry into the sweepstakes **without making a purchase or donation**.

The rules the credit union generates regarding its sweepstakes must include clear language about how a member may obtain an entry without the exchange of money. Many sweepstakes require that an entrant request a free entry via mail; and thus, a credit union may require a member to make this type of request by mail. In addition, a credit union may provide an entry or ticket to anyone who donates to a charitable effort—i.e., without the need to request an entry or a ticket. A member who donates automatically obtains an entry or ticket, while anyone else may also receive an entry or ticket upon written requests.

A sweepstakes promotion must:

- ✓ Not require as a condition of entering to win an entry fee, payment, donation, or proof of purchase.
- ✓ Include a process by which a member may obtain entry or a ticket without payment, donation, or providing anything of value.
- ✓ Be a promotion of occasional and limited duration.
- ✓ The prize value must not be inflated for the purposes of promotion.
- ✓ Provide information about how to obtain the official rules, and an entry or ticket without making a donation or a purchase.

There are no limits in the value of the prize in this sort of promotion and you may take payment through cards and transfers. Additionally, you may utilize an online platform to collect donations.

RAFFLE & SWEEPSTAKES WINNER PROCEDURES

The Internal Revenue Service (IRS) and Maine Revenue Services require the reporting and withholding of taxes from winners under certain criteria.

Generally, as explained in [IRS Publication 3079](#) “an exempt organization must report raffle and sweepstakes prizes if (a) the amount paid reduced, at the exempt organization’s option, by the wager (the amount a person paid for the chance to win a prize), is \$600 or more; and b) the payout is at least 300 times the amount of the wager.” In addition, any amount of cash winnings in excess of \$5,000 requires a withholding tax of 25%. Non-cash prizes with a value in excess of \$5,000 require the collection of 25% of the fair market value from the winner and needs to be reported to the IRS on behalf of the winner.

- ✓ For cash prize winnings of **less than \$600** or if the **payout is less than 300 times the amount of the wager**, the credit union can pay the prize winner in cash and submit the net proceeds to the Campaign for Ending Hunger.
- ✓ For **cash prize winnings of \$600 or more** and **with a payout at least 300 times the amount of the wager but under \$5,000**, the credit union must do the following:
 - 1) Have the winner complete and sign **IRS Form W-2G**. The credit union must ensure IRS Form W-2G is complete and contains the winner’s correct name, address, Social Security Number, and amount of winnings.
 - 2) The credit union should provide the winner the payout directly and send all proceeds to Maine Credit Unions’ Campaign for Ending Hunger.
 - 3) Winners of the prize money should receive a Form W-2G from your credit union to use when filing their income taxes. **Note, these forms must be mailed to the winners in early January in the year following the win.**
- ✓ If your credit union is planning a fundraiser where the prize winnings will be in **excess of \$5,000**, please consult with the League/Campaign for Ending Hunger in advance.

COMPLIANCE QUESTIONS

If you have questions regarding how to conduct a raffle or a no-purchase-necessary sweepstakes, please email League Advocacy & Compliance Director Jared Gay at jgay@mainecul.org.