



# State of South Carolina

## Office of the Secretary of State

### The Honorable Mark Hammond

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### **Charitable Raffles in South Carolina:** **Frequently Asked Questions**

#### **Q. Are raffles legal in the state of South Carolina?**

Nonprofit raffles became legal in South Carolina on April 4, 2015. On November 4, 2014, voters approved a constitutional amendment to allow charitable raffles in the state of South Carolina, and the State Legislature ratified this amendment on March 5, 2015. Pursuant to Act 11 of 2013, raffles became legal thirty (30) days after ratification of the constitutional amendment.

#### **Q. What organizations are legally permitted to hold raffles?**

Under S.C. Code of Laws §33-57-120(A), only nonprofit organizations that meet all of the following criteria are able to conduct raffles:

- 1) The nonprofit organization must be either a tax-exempt organization under IRS Code Section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7), 501(c)(8), 501(c)(10), 501(c)(19), or 501(d); or a class, department or organization of an educational institution;
- 2) The nonprofit organization must be operated for one or more of the following purposes:
  - a. Religious
  - b. Charitable
  - c. Scientific
  - d. Literary
  - e. Educational
  - f. Amateur sports (but not providing facilities or equipment)
  - g. Prevention of cruelty to children or animals
- 3) The nonprofit organization must be in compliance with the registration provisions of the Solicitation of Charitable Funds Act.

#### **Q. My nonprofit organization wants to hold a raffle. What do I need to do?**

If your organization plans to conduct raffles to raise money, it will need to file an annual raffle registration form with the Secretary of State unless it only conducts "exempt" raffles (see page 3). A nonprofit only needs to file one raffle registration form per year, and the registration expires on the 15<sup>th</sup> day of the 5<sup>th</sup> month (4 ½ months) after the end of the organization's fiscal year. For example, the registration for a nonprofit organization whose fiscal year runs from

January 1<sup>st</sup> to December 31<sup>st</sup> will expire on May 15<sup>th</sup> each year. The registration for a nonprofit organization whose fiscal year runs from July 1<sup>st</sup> to June 30<sup>th</sup> will expire on November 15<sup>th</sup> each year.

In addition to filing a registration form, a nonprofit organization that conducts raffles will need to file an annual raffle financial report. This report is due at the same time as the organization's registration form—on the 15<sup>th</sup> day of the 5<sup>th</sup> month (4 ½ months) after the end of the organization's fiscal year.

These forms are available on the Secretary of State's website at [www.sos.sc.gov](http://www.sos.sc.gov) under Forms and Fees.

Q. Is there a fee to register a raffle?

The filing fee for an annual raffle registration form is \$50.00.

Q. What are some of the statutory restrictions on conducting raffles?

- 1) A nonprofit organization may conduct only four (4) nonexempt raffles during their fiscal year.
- 2) The purchase price of a raffle ticket may not exceed \$300.00.
- 3) For each raffle event, the total fair market value of all prizes offered by the nonprofit organization shall not exceed \$250,000.00.
- 4) An individual prize awarded to each winner in a raffle shall not exceed the fair market value of \$40,000.00.
- 5) A nonprofit organization cannot offer real property as a prize in a raffle.
- 6) Noncash prizes may not be redeemed for money from the nonprofit organization or from any other entity that redeems noncash prizes awarded by raffles for money in the ordinary course of business.
- 7) A raffle drawing must be held no later than nine (9) months from the date the first raffle ticket is sold.
- 8) No drawing for a nonexempt raffle may be held between the hours of midnight and 10:00 AM.
- 9) No raffle drawing may be held on Christmas Day.
- 10) A nonprofit organization may not enter into a contract with any person to conduct a raffle on its behalf, or conduct a raffle through any agent or third party.
- 11) Except for fifty-fifty raffles, no less than 90% of the net receipts from a raffle must be used for the charitable purpose (program expenses) of the organization.

Q. How does the restriction on the number of raffles a nonprofit organization can hold apply to organizations with affiliates, subsidiaries or chapters?

If a nonprofit organization has affiliates or chapters that share a federal Employer's Identification Number (EIN) with the parent organization and meet the statutory requirements required for conducting raffles, then each affiliate or chapter may conduct up to four nonexempt raffles per year. However, the affiliate or chapter must file its own annual raffle registration form and its own annual raffle financial report.

Q. What is an “exempt” raffle?

The following types of raffles are considered to be “exempt” under S.C. Code of Laws §33-57-120(B)(2):

- 1) Raffles in which a noncash prize has been donated to the nonprofit organization and the total value of the prize or prizes of a single raffle event is not more than \$950.00.
- 2) Fifty-fifty raffles in which the total value of the proceeds collected is not more than \$950.00, and raffle tickets are sold only to members of the nonprofit organizations or their guests, and not to the general public. A fifty-fifty raffle is one in which the proceeds collected are split evenly between the nonprofit organization and the winner of the raffle drawing (for example, no more than \$475.00 may be collected by the nonprofit organization or the raffle winner for an exempt fifty-fifty raffle).

Q. What is the difference between an exempt and a nonexempt raffle?

A nonprofit organization that only conducts exempt raffles is not required to file an annual raffle registration form with the Secretary of State. However, a registered nonprofit organization may conduct both nonexempt and exempt raffles.

A nonprofit organization may only conduct one (1) exempt raffle every seven (7) days, and conduct only four (4) nonexempt raffles each fiscal year.

Q. Can an organization that does not meet the criteria of a nonprofit organization as defined under S.C. Code of Laws §33-57-120(A) conduct exempt raffles?

No.

Q. Are nonprofit organizations allowed to hold “casino nights” to raise money?

No. S.C. Code §33-57-100(C) specifically prohibits any person from conducting a “casino night” fundraising event or any other fundraising event that involves live individuals playing roulette, blackjack, poker, baccarat, or other card or dice games, unless the event is conducted for entertainment purposes only and no prizes, financial rewards, or incentives are received by the players.

Q. Is a door prize considered a raffle?

Yes, if there is an entrance fee or required donation in order to be eligible for the door prize drawing.

Q. Can a nonprofit organization sell raffle tickets online?

Yes. Although S.C. Code §§33-57-100 and 33-57-140(K) reference prohibitions against the use of electronic devices, it appears that these prohibitions are specifically related to electronic gambling machines, video poker, and electronic play devices used for the purpose of gambling. There is no other provision in the code section governing raffles that would indicate that selling raffle tickets online is illegal.

Q. What happens if my organization conducts a raffle that does not comply with these requirements?

Persons and organizations that violate South Carolina law governing raffles may be subject to administrative fines of up to \$2,000.00 for each separate violation. A person convicted of a criminal offense involving raffles may be fined up to \$10,000.00 and/or imprisoned up to five (5) years, or both, depending on the offense.

Q. What steps can a charitable organization take to ensure that it is in compliance with the South Carolina Solicitation of Charitable Funds Act, to minimize delays in approving its raffle registration?

A charitable organization should ask itself the following questions prior to submitting its raffle registration:

- 1) Is the charitable organization authorized to solicit contributions at the time it submits its raffle registration?
  - If the organization's raffle registration is not being submitted at the same time as its registration statement for a charitable organization or annual application for registration exemption, the organization can confirm its registration status on the Secretary of State's website at [www.sos.sc.gov](http://www.sos.sc.gov) using the Charity Search Engine, or by email at [charities@sos.sc.gov](mailto:charities@sos.sc.gov).
  - Renewal reminders for charitable organizations are sent out six (6) weeks prior to the organization's expiration date. Organizations that intend to renew online cannot do so until they have received their renewal letter with the PIN's for the required filings. Organizations that renew online will receive a confirmation letter the following morning; however, online registrations and applications for registration exemption are subject to verification for accuracy and completeness, and may be terminated if incomplete or false information has been submitted.
- 2) Has the charitable organization submitted its annual financial report or an extension request by the required due date?
  - If the charitable organization is not sure, then it should confirm its status by email at [charities@sos.sc.gov](mailto:charities@sos.sc.gov).
- 3) Does the charitable organization have any open violations that need to be resolved?
  - If the charitable organization is not sure, then it should confirm its status by email at [charities@sos.sc.gov](mailto:charities@sos.sc.gov).
  - It is also important that a charitable organization keep its contact information current with the Secretary of State. Any mail or electronic communication from the Secretary of State's Office is sent to the contact person that the charitable organization has listed on its most recent registration or application for registration exemption. If the organization's contact person changes, the organization should notify the Secretary of State's Office immediately by email at [charities@sos.sc.gov](mailto:charities@sos.sc.gov).
  - Charitable organizations should accept, open, read, and respond to any certified letters sent from the Secretary of State's Office. Charitable organizations that have provided a post office box as an address should be sure to check it regularly.

Finally, churches, synagogues, mosques, and other houses of worship are excluded from regulation under the Solicitation of Charitable Funds Act. In addition, religious organizations that are not required to file an IRS Form 990, 990-EZ, or 990-N based on their religious classification are not regulated under the Act. If a religious organization is not sure whether it would be excluded from the Act's registration requirements, then it should contact the Secretary of State's Office by email at [charities@sos.sc.gov](mailto:charities@sos.sc.gov).