RAFFLE Guide

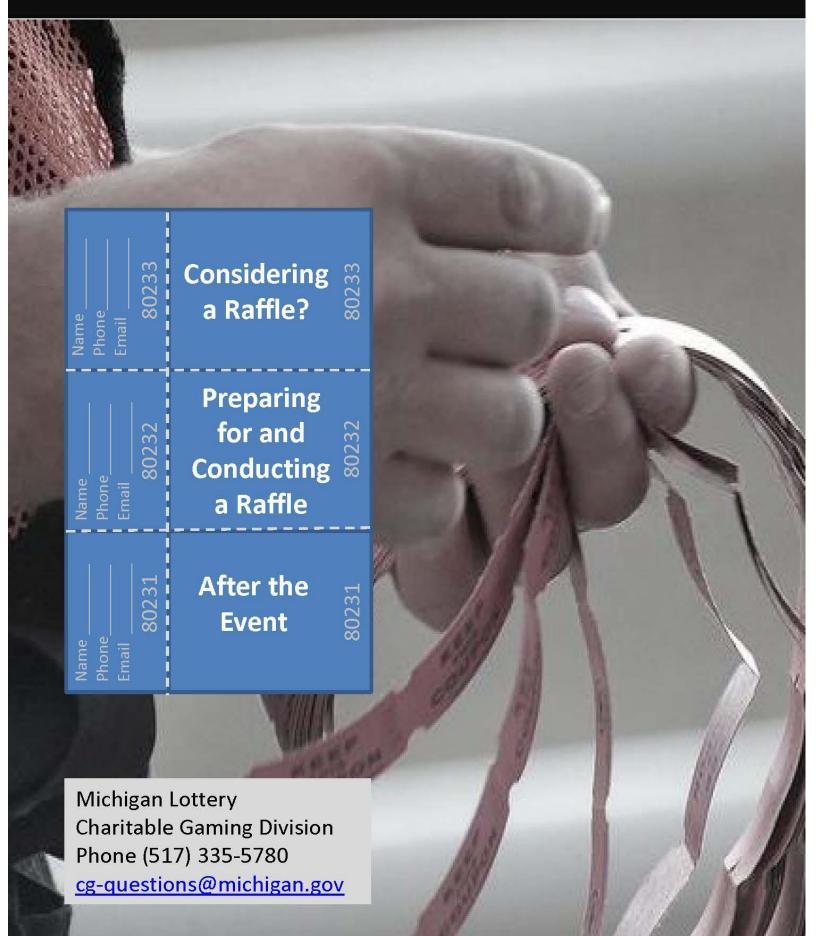


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Considering a Raffle?

A. Can We Have a Raffle to Raise Funds?

1. Does my organization qualify for a license?

- a. The organization must be qualified by the Charitable Gaming Division before a license can be issued for the conduct of any charitable gaming event.
- b. The types of organizations that may qualify for a license and the documents required to qualify under each organization type are listed on the charitable gaming website under Qualification Requirements.
- c. Submit all documentation required to ensure the process is not delayed.

2. What is considered a raffle?

- a. A raffle is an event where raffle tickets are given or sold, and at least one winner is determined either by a drawing or by an alternative method that is approved in writing by the bureau. All drawings that take place under one license must be at the same location. A raffle drawing cannot take place during a licensed bingo event. The drawing can occur before or after the time listed on the bingo license.
- b. If you are charging people or requiring them to donate or provide something of value to participate in a drawing where a prize will be awarded, then you are conducting a raffle.
- c. A traditional raffle is where tickets are sold prior to the drawing date. A winner does not need to be present to win.
- d. An in-house raffle is where all tickets are sold and all prizes are awarded at the location and during the beginning and ending times on the license. The prize must be claimed or a new ticket drawn the day of the event to award the prize.
- e. The following are pre-approved alternative styles of raffles that have been entertaining and profitable. Directives have been drafted for each:
 - i. Animal Determination
 - ii. Daily 3/Daily 4
 - iii. Duck Race
 - iv. Playing Card Progressive Raffle
- f. Any alternative drawing style that is not pre-approved must be approved in writing by the bureau.

B. Applying for a License

1. Determine raffle prizes

- a. Prizes can be cash, merchandise, or services.
- b. Prizes can be purchased by the organization or donated.
- c. In-house raffles are frequently 50/50's, where 50 percent of sales are awarded to the drawn winner and the organization retains 50 percent, unless otherwise indicated in house rules.
- d. Another popular form of an in-house raffle is sometimes called a gift basket raffle where:
 - Prizes in the form of merchandise or services are displayed at the event with a description and a container next to each prize.
 - ii. Roll-type tickets are sold at the event and purchasers place their stub(s) in the container that corresponds with the prize(s) they hope to win.
 - iii. Once ticket sales have closed, a stub is drawn from each container, determining the winner of the corresponding prize.

2. Determine type of tickets that will be used

- a. **Pre-printed** tickets must be used if tickets will be sold prior to the day of the event. The prizes to be awarded must be predetermined.
 - i. The tickets must contain the name of the licensee; license number; the word "Raffle"; the date, time, and location of the drawing; the price of the ticket; the top prize; and a unique sequential number. It can NOT contain the word "Lotto" or "Lottery."
 - ii. The stub is the perforated end that must have the same sequential number as the informational side of the ticket and must also contain space for purchaser's name, address and phone number. The stub must be completed by the purchaser, retained by the seller, returned to the organization, and entered into the drawing.
 - iii. The winner does not have to be present to win. The organization must make a diligent effort to notify the winner.
 - iv. In the case of a large prize giveaway, it is recommended to include a disclaimer that reads, "If xxx (indicate number) tickets are not sold, the drawing will revert to a 50/50 raffle with the minimum prize of \$xxx (indicate dollar amount) awarded."
- b. **Roll-type** or **theater-style** tickets may be used if the sale of tickets is conducted *in-house*, where there is no pre-sale of tickets. NOTE: The rules do not require raffle tickets to be purchased from a supplier.
 - i. A sequential ticket number must appear on both halves of the perforated ticket.
 - ii. Half of the ticket is retained by the seller and included in the drawing.

3. Determine ticket price

- a. Carefully determine the ticket price based on the value of prizes.
- b. Determine if tickets will be sold at a single-ticket price or as a packaged deal (such as 6 for \$5).
- If an organization chooses to have more than one price point (such as a single-ticket price and a packaged deal), accountability will be multiplied. (See Accountability of Tickets and Cash.)

4. Complete the application

- a. The Raffle Application is an electronic document that may be completed before it is printed.
- b. Determine what kind of raffle license is needed based on the retail value of prizes to be awarded. NOTE: When prizes are donated, the value of a prize is the retail value had it been purchased. With handmade items, the donor should set the value.
 - i. A **large** raffle license is required when the total value of all prizes awarded through the raffle drawings will exceed \$500 in a single day.
 - ii. A **small** raffle license is required when the total value of all prizes awarded through the raffle drawings will not exceed \$500 in a single day (including any raffle ticket seller incentive prize).
- c. Indicate both the beginning and ending time of the drawing(s) on the application. For an inhouse raffle, the times provided on the application must include the time tickets are sold.
- d. Only one organization can be licensed for a given raffle. No joint licenses will be issued.
- e. If your organization does not have members, and you are a directorship, your chairperson must be a board member for at least six months.
- f. Ensure the application is completely filled out to avoid delays in processing.
- g. The application must be signed by the principal officer of the organization. If the principal officer is not available, the second-ranking officer and another officer of the organization must sign the application. (The principal officer is the highest ranking officer according to the organization's bylaws.)
- h. If the drawing location will be held at a private residence, include with the application a signed letter from the resident stating that all ticket purchasers and representatives of the bureau will be allowed to enter the premises to witness the drawing.

5. Submit the application, license fee, and documentation

- a. Qualification documents can be submitted with the raffle application. Licenses cannot be issued until all qualification requirements have been fulfilled.
- b. Include the license fee.
 - i. A large raffle license is \$50 per drawing date.
 - ii. A **small** raffle license is \$5 per drawing date with a \$15 minimum fee.

- iii. The raffle license fee is calculated based on the number of large and small raffle drawing dates.
- c. Allow, at maximum, 4 weeks for the qualification and processing of a license.
- d. If tickets will be pre-printed, the license number must be included on the tickets, therefore submit the application allowing for enough time to print and sell tickets after the raffle license has been issued.
- e. A raffle application can be submitted up to 18 months in advance of the raffle drawing.

6. Getting the license

- To check the status of a raffle license application on our website, you will need to know your
 6-digit organization ID (assigned by the Charitable Gaming Division when the organization qualifies) and the drawing date. Our web address is www.michigan.gov/cg.
- b. A request to change drawing dates, time, or location must be made in writing and submitted to the Charitable Gaming Division at least 20 days before the original drawing date.
- c. The number of raffle licenses a qualified organization may obtain is unlimited.
- d. If any financial statements from previous gaming licenses are delinquent, this will hold up the issuing of a license until the financial statement is filed.

7. Which raffles don't need a license?

- a. A qualified organization conducting an exempt raffle is not required to obtain a license nor report financial information.
- b. Exempt raffles are lawful raffles that are conducted at a scheduled assembly or meeting with a specific beginning and ending time that is conducted or sponsored by the qualified organization if <u>all</u> of the following are true:
 - i. The organization is currently qualified by the Charitable Gaming Division.
 - ii. The raffle will be held at a single gathering of the organization (where the primary purpose is for something other than the raffle).
 - iii. All tickets will be sold, the drawing will be held, and all prizes will be awarded at the single gathering. (There will be no pre-sale of tickets.)
 - iv. Total value of all prizes awarded for the entire day will not exceed \$100.
- c. The following are common misconceptions:
 - i. "Our church has a Friday night fish fry. Can the Men's Club conduct an exempt raffle at the fish fry?" No. Although this is a single gathering, the fish fry is NOT sponsored by the Men's Club. This example would require the Men's Club to obtain a license.
 - ii. "Our qualified club is open from 8am to 2am. Can we conduct a 50/50 raffle at the bar each day?" No. The operating hours of the club do not constitute a single gathering. This example would require a license.

iii. "Our high school conducts several 50/50 raffles at a basketball game. Prizes do not exceed \$100. Is the high school exempt from getting a raffle license?" This raffle would only be exempt if the total value of all prizes awarded during the entire day would not exceed \$100.

Preparing for and Conducting a Raffle

A. Who is Responsible?

1. Principal officer duties

- a. Raffle rules require the principal officer to ensure the licensed gaming event is conducted in accordance with the act, rules, and directives of the bureau.
- b. The principal officer of the organization is ultimately responsible for all gaming assets which include but are not limited to cash, prizes, raffle tickets, and all funds derived from the licensed gaming event.
- c. The principal officer must appoint at least one chairperson to oversee the event. All chairpersons should be listed on the application and must have been a member of the organization for at least six months.
- d. The principal officer must ensure the event is conducted in compliance with all regulations and all records related to the event are current and accurate.
- e. The principal officer reviews the financial statement to verify its accuracy, signs it, and ensures it is sent to the Charitable Gaming Division by the 10th day of the month following the raffle.
- f. The principal officer must respond to violations and attend any compliance meetings.

2. Chairperson duties

- a. The chairperson must be a bona fide member of the organization for at least six months.
- b. The chairperson must read and understand the Raffle Rules and this guide.
- c. If the drawing will be conducted using one of the pre-approved alternative styles of raffles, the chairperson must read and understand the directive for that method.
- d. The chairperson oversees accurate bundling or packing of tickets.
- e. The chairperson ensures ticket sellers are at least 18 years of age.
- f. The chairperson trains and oversees all raffle ticket sellers and other workers.
- g. The chairperson ensures the accountability forms are completed accurately.
- h. The chairperson ensures all ticket sellers return sold ticket stubs, cash for the sold tickets, and unsold tickets.
- i. The chairperson attempts to resolve any disputes regarding the tickets according to Raffle Rules, this guide, and any applicable directive.

- j. The chairperson must be at the event continuously during the hours listed on the license.
- k. The chairperson ensures unsold tickets and money are secured.
- I. The chairperson ensures funds are deposited within two business days of the drawing date.

B. Preparing the Tickets

1. Preprinted raffle tickets

- a. Preprinted tickets must include the raffle license number, word "Raffle," name of licensee, drawing date(s), drawing time(s), top prize, raffle location, and ticket price. It must also contain a stub for the purchaser's name, address, and phone number. A unique sequential ticket number must be printed on both the ticket and the stub.
- b. Raffle tickets can NOT contain the word "Lotto" or "Lottery."
- c. What else can be printed on the ticket?
 - i. Additional prizes.
 - ii. Any limited quantity of tickets to be sold or odds of winning.
 - iii. In the case of a large prize giveaway, it is recommended to include a disclaimer that reads, "If xxx (indicate number) tickets are not sold, the drawing will revert to a 50/50 raffle with the minimum prize of \$xxx (indicate dollar amount) awarded."
 - iv. "Tickets compliments of..." (Look for local sponsors to cover ticket printing in exchange for recognition on the ticket.)
 - v. "Proceeds to benefit..."
 - vi. Coupons for discounts at local merchants.

2. Pre-bundling tickets

- a. When tickets will be sold by multiple ticket sellers, pre-bundling of tickets can save time and improve accuracy. It should be done before any tickets are issued to sellers.
- b. When pre-bundling tickets, determine the most practical increment to use when issuing tickets to sellers and band tickets by that amount.
- c. Count out the proper number of tickets and place a rubber band around each bundle of tickets. Counting is eliminated with the sequentially numbered tickets when the last number in the bundle is divisible by the quantity of tickets in a bundle. (Example: If ticket sellers are issued tickets in bundles of 30, ensure the last number on the sequentially numbered tickets is divisible by 30. (Example: 1-30, 31-60, 61-90, 91-120, etc.)
- d. Some printers can pre-bundle tickets as described above, however it may be an additional expense.

3. Pre-packing tickets

- a. If tickets are to be sold in a pack (such as 6 for \$5) and if preprinted tickets are being used, taking the time to pre-pack tickets is a time saver and can increase accountability.
- b. Pre-packing tickets should happen prior to the issuance of tickets to ticket sellers.
 - i. First separate tickets into bundles, keeping in mind that the total number of tickets in a bundle must be divisible by the number in a pack. (If tickets will be sold in packs of six, the number of tickets in a bundle must be divisible by six—such as 30 or 60.)
 - ii. For each bundle, beginning with the smallest numbered ticket in the bundle, count off the number of tickets in a pack and staple tickets together. If you get to the end of a bundle and an odd number is remaining, you have miscounted a pack. Find any mistakes and re-staple where needed. (Example: If a pack contains six tickets, each bundle of 60 tickets would contain ten packs.)
 - iii. Carefully staple at the end of the tickets the purchaser will keep, but not through the ticket numbers. This will keep the stubs free to be torn off.

C. Accountability of Tickets and Cash

1. Accounting for ticket sales

- a. To ensure compliance with accountability requirements, the organization must be able to verify all sales.
- b. If an organization chooses to offer multiple price points for tickets (e.g., \$1 each <u>or</u> 6 for \$5), methods must be put in place to ensure accountability.
 - i. A separate accountability form must be used for each price point.
 - ii. The ticket type/cost must be identified at the top of each Raffle Ticket Accountability form.
 - iii. All ticket numbers must be unique. The sequential ticket numbers for tickets sold at multiple price points cannot be duplicated.
- c. If multiple price points are allowed, the cost of each ticket must be distinguishable. Examples include:
 - i. Different ticket colors for each price point.
 - ii. Designating unique ticket number ranges for each price point.

2. Issuing tickets to sellers

- a. The Raffle Ticket Accountability form is required and included in your license packet. When used properly, this form will manage the issuance of tickets to ticket sellers. Exception: In the case of a progressive raffle, the Progressive Raffle Accountability form must be completed electronically rather than the Raffle Ticket Accountability form.
- b. When pre-printed tickets are used, determine the last date for ticket sellers to return unsold tickets, stubs, and cash. Allow enough time to follow-up with those who are late and ensure that all stubs from purchased tickets will be included in the drawing.
- c. If tickets are issued to ticket sellers prior to the event, it is very important that ticket sellers provide their phone number and it is even helpful to have an e-mail address in case of problems contacting the seller by phone.
- d. As tickets are issued to sellers, log the beginning and ending ticket number and the total number of tickets issued (not number of bundles) on the Raffle Ticket Accountability form.
- e. The Raffle Ticket Accountability form is NOT to log sales to ticket purchasers. For any locations that will be selling tickets to purchasers (such as the office), issue bundles of tickets to a responsible person at that location and record tickets issued on the accountability form.
- f. Secure any tickets not yet issued to sellers.

3. Instructions to sellers

- a. Instruct sellers to collect the completed ticket stubs from the purchaser at the time of sale.
- b. Ensure sellers understand that purchasers must be at least 18 years of age to buy raffle tickets; however, an adult may put a minor's name on the ticket stub and prizes may be awarded to a minor.
- c. Raffle tickets cannot be purchased in the name of the licensee, although members of the organization may purchase tickets.
- d. Notify the ticket sellers of the deadline to return unsold tickets, ticket stubs, and cash.
- e. Ensure all ticket sellers understand the importance of returning the tickets, stubs, and cash on time and being balanced out. Unsold tickets and stubs hold the same value as cash.

4. Collecting ticket stubs, cash, and unsold tickets

- a. Ensure all ticket sellers return unsold tickets, stubs, and cash and are balanced out by the required time.
- b. Immediately follow-up with sellers who have not returned unsold tickets, stubs, and cash.

- c. Ticket sellers should be present when their unsold tickets, stubs, and cash are being balanced out.
- d. Find the line on the Raffle Ticket Accountability form where the ticket seller was issued tickets and log the number of unsold tickets, stubs, and cash that were returned.
- e. Unsold tickets *plus* the ticket stubs from the sold tickets should *equal* the number of tickets issued. (Being short on tickets is as serious as being short on money.)
- f. The amount of cash returned should equal the value of the ticket stubs returned.
- g. If the ticket seller is short, record the shortage.

D. Conducting the Raffle

1. Final preparation

- a. House rules must be established and posted in a conspicuous place or available in sufficient quantity to distribute to interested persons. They must include:
 - i. The license number, name of the organization, and price of the raffle tickets.
 - ii. The contingency plan, should extenuating circumstances prevent the drawing from happening.
 - iii. The authorized method for determining winners.
 - iv. The refund policy.
 - v. The effective date of the house rules.
- b. The raffle license must be on site and posted in a conspicuous place.
- c. Determine the method for recording winner information.
 - i. For prizes valued at \$100 or more, the winner's name, address, and the prize amount must be collected and maintained with game records.
 - ii. Additionally, it is recommended that all winners be recorded until prizes have been awarded and there are no disputes.
 - iii. For prizes \$600 and higher, refer to Federal Tax Withholding information for proper identification requirements and withholding.
- d. The application and any changes must be on site and available for review along with game records and any documents supporting entries in game records.

2. The drawing(s)

- a. Raffle drawings must be open to any purchasers and representatives of the bureau.
- b. The ticket stubs from all purchased tickets must be collected and available for the drawing(s).

- c. The method used to determine each winner must be announced before any ticket stubs are drawn. This method must be in the house rules.
- d. Stubs shall be drawn randomly, one at a time, and from a receptacle that affords each stub an equal opportunity to be drawn.
- e. All drawings must be completed and all winners must be determined on the date and between the beginning and ending hours indicated on the license.
- f. If circumstances prevent an alternative style raffle from being conducted in accordance with the directive or written bureau approval, determine the winner using the traditional drawing method on the scheduled date.
- g. The cost of any ticket stubs that were not included in the drawing(s) must be refunded to the purchaser(s).
- h. If a new drawing date is needed, the Charitable Gaming Division must be notified and a new license issued prior to the new draw date.

3. Awarding prizes

- a. All prizes must be awarded.
- b. Except as determined for an in-house raffle, winners need not be present to win.
- c. The licensee must make a diligent effort to locate winners of all prizes.
- d. Any prize not claimed within 60 days from the drawing date must be awarded using another drawing of the original ticket stubs or donated to another non-profit with permission from the Charitable Gaming Division. Prizes cannot be reverted to the licensed organization.
- e. If a prize is worth \$600 or more, refer to the Federal Tax Withholding information for any withholding requirements.

4. What should we do if we have to cancel our event?

- a. For a planned date change, notify the Charitable Gaming Division in writing within 20 days of the event.
- b. For a planned cancellation, notify the Charitable Gaming Division not less than 10 days prior to the event and include the method that will be used to provide a refund to all purchasers.
- c. If an extenuating circumstance prevents the scheduled drawing from happening, contact the Charitable Gaming Division at (517) 335-5780 immediately.

E. Compensation

1. Worker compensation

- a. While a chairperson may receive up to \$50 on the day of the event for their duties, worker pay is not required.
- b. A raffle worker (not including ticket sellers) may receive up to \$30 on the day of the event.
- c. Compensation to workers can be cash, check, credit toward tuition or dues, or any other items of value.
- d. All worker pay must be recorded on the Workers Service Record.

2. Ticket seller

- Ticket sellers cannot receive anything of value for their service. The only exception is a raffle ticket seller incentive prize.
- b. A raffle ticket seller incentive prize may be awarded to:
 - i. The top raffle ticket seller.
 - ii. The person who sold the winning raffle ticket.
 - iii. The winner of a drawing.

(Any exceptions to this must be approved in writing by the bureau.)

- c. A raffle ticket seller incentive prize must be reasonable. If the event is a small raffle, the raffle ticket seller incentive prize must be included in the \$500 maximum value of all prizes paid.
- d. The name, address, and ticket seller incentive prize must be recorded and maintained with game records.

After the Event

A. Game Records

1. Required game records

- a. A copy of the application and any change forms.
- b. The names and addresses of raffle drawing winners if prize(s) won are valued over \$100.
- c. The names and addresses of anyone receiving a raffle ticket seller incentive prize and the amount.
- d. Any unsold raffle tickets.
- e. Validated deposit slips.
- f. Bank statements and copies or images of all checks paid out of the account to which proceeds were deposited.
- g. Invoices and receipts for all expenses paid out of the account into which proceeds were deposited.
- h. Completed Raffle Ticket Accountability form(s) or Progressive Raffle Accountability form.
- i. Financial Statement.
- j. Workers Service Record.
- k. Any other documents supporting entries made in the game records.
- I. A copy of the house rules.
- m. In the case where a raffle prize is \$600 or more, that prize is subject to Federal Income Tax Withholding.
- n. If a winner cannot be located within 60 days, it would be helpful to keep documentation supporting a diligent effort was made to locate the winner. If applicable, include a copy of a letter of approval from the Charitable Gaming Division to donate the prize to another nonprofit.

2. Record retention

- Game records must be retained by the organization for three years plus the current calendar year.
- b. A representative of the bureau may need to conduct a record review before, during, or after the event; therefore, game records must be maintained and available upon request.

- c. Game records may be removed by a representative of the bureau for review.
- d. Ticket stubs must be retained until all prizes have been awarded and any disputes have been resolved.
- e. The list of prize winners must be available to the public upon written request.
- f. Do not mail game records to the Charitable Gaming Division.

B. Financial Responsibility

1. Use of proceeds

- a. The licensed organization must have a bank account in its name.
- b. All proceeds must be deposited into the organization's financial account within two business days of the event. NOTE: Deposits from the raffle ticket sales must not be combined with any other monies.
- c. Accounts into which proceeds have been deposited or transferred must be open for review by representatives of the bureau.
- d. The licensee must be able to account for all monies and ensure proceeds are used for the lawful purpose of the organization.
- e. Expenses for the raffle must be necessary and reasonable.
- f. Checks written from the account must be preprinted with the organization name and cannot be written to cash, bearer, or drawn in blank.
- g. The only cash expenses can be worker pay and prizes. All other expenses must be paid by check.

2. Financial reporting

- a. All raffle licensees are required to submit a Raffle Financial Statement.
- b. Use the financial statement that was mailed with the raffle license.
- c. If charity game tickets are sold during the event, the licensee is also required to submit a Charity Game Ticket Financial Statement.
- d. The principal officer must sign the financial statement.
- e. The financial statement must be submitted to the Charitable Gaming Division by the 10th of the month following the event by one of the following methods:
 - i. Fax it to: (517) 267-2285.
 - ii. Mail it to: Charitable Gaming Division, PO Box 30023, Lansing, MI 48909.
 - iii. E-mail it to: cg-additional-info@michigan.gov.

- f. Keep a copy of the financial statement(s) with game records.
- g. Failure to submit the financial statement will prevent the issuance of future licenses.

C. Looking ahead

1. Final follow-up makes a difference

- a. Meet with key people who assisted with the raffle.
- b. Identify things that worked out well.
- c. Note areas that can be improved upon next time.

2. Ideas to increase raffle sales each year

- a. Hold the event at the same time each year.
- b. Make sure preprinted tickets are available to sell at other events, such as dinners, festivals, bowling alleys, athletic games, parties, etc.
- c. Advertise the event in a local newspaper, or on TV, Facebook, the organization's website, etc.
- d. Offer a ticket seller incentive prize to encourage your members to push sales.