

Policy Number: 284.0

Policy: Raffle Prizes

Effective Date: 3/2013

Revision Date: 11/2014

Approved by: Business Services Director

POLICY:

- I. “Raffle” Defined: In general, a raffle is considered a form of lottery. As such, a raffle generally refers to a method for the distribution of prizes among persons who have paid for a chance to win such prizes, usually determined by the numbers, or symbols, on tickets drawn.
 - A. Raffles are allowed by the University, as determined by [MCA 23-5-413](#).
 1. The sale of raffle tickets authorized by this part is restricted to events and participants within the geographic confines of the state of Montana.
 2. The sale of raffle tickets may not be conducted over the internet. All raffle announcements or advertisements conducted over the internet must include this sale restriction, the name of the organization offering the raffle, and all raffle terms.
 3. The proceeds from the sale of tickets for a raffle conducted by a nonprofit organization, college, university, or school district may be used only for charitable purposes or to pay for prizes and may not be used for the administrative costs of conducting the raffle.
 - B. IRS Reporting ([Notice 1340](#)):
 1. Generally, an exempt organization must report raffle 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.
 2. Winner must furnish MSU Billings with a [Federal W9](#)
 3. MSU Billings will not pay any backup withholding or taxes on raffle prize winnings.
 - C. Withholding – Subject to IRS regular gambling withholding.
 1. Withholdings must be paid prior to the award being released.
 2. Cash Prizes over \$5,000
 - a. An organization is required to withhold if:
 - i. the prize is otherwise subject to reporting (i.e., the amount of the prize, less the amount wagered, is \$600 or more and 300 times the amount of the wager) and the winner furnishes a W9. This is withholding tax at the rate of 25%.
 - ii. the winner fails to furnish a correct taxpayer identification number (social security number, individual taxpayer identification number, or employer identification number). This is a backup withholding at a rate of 28%.
 3. Non Cash Prizes over \$5,000
 - a. For noncash prizes, the winner must pay the organization 25% of the fair market value of the prize minus the amount of the wager.