



State of South Carolina

Office of the Secretary of State

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Nonprofit Raffles:

Follow Up Questions

Who is allowed to conduct a raffle?

Under S.C. Code of Laws §33-57-120(A), only nonprofit organizations that meet all of the following three criteria will be 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.

Is there a fee to register to hold a raffle? Is that fee per raffle or per day?

The filing fee for an annual raffle registration form is \$50.00. A nonprofit organization conducting raffles must only pay one \$50.00 registration fee each year; this fee is not assessed on a “per raffle” or “per day” basis.

Is the \$50 fee specified in statute, or will this increase in future years?

The \$50.00 filing fee is specified in SC Code §33-57-120(C). In order to increase the fee, the code section would need to be amended. It is not expected that this fee will be increased at any time in the near future. As a comparison, the \$50.00 fee for registering as a charitable organization under the Solicitation of Charitable Funds Act has not been increased since the Act was first passed in 1994.

What can the net proceeds be used for? Are they to be considered “Obligated” or “Unobligated” funds?

Section 33-57-140(A) provides that, except for fifty-fifty raffles, no less than 90% of the net receipts of a raffle must be used for the charitable purpose of the nonprofit organization. The net receipts of a raffle are the funds remaining after the costs for raffle prizes (cash prizes and money paid for merchandise prizes) and any statutorily-authorized expenses are deducted from the gross receipts of the raffle. Authorized expenses are itemized in SC Code §33-57-140. Under SC Code §33-57-110(8), it is illegal to use any raffle receipts for the payment of unauthorized expenses, charges, fees or deductions. The statutory framework governing raffles does not reference obligated and unobligated funds.

Will the SOS review NPO financial statements?

Yes. The Secretary of State’s Office will review the annual financial raffle reports to ensure compliance with the statutory requirements.

What do you mean by “a nonprofit cannot lend their name to another organization” for a raffle?

SC Code §33-57-140(D) states that a nonprofit organization may not lend its name to any person, or allow its identity to be used by any person, to operate or advertise a raffle that is not directly and solely operated by the nonprofit. It further states that no person shall purchase or lease the name of a nonprofit organization for the purpose of conducting a raffle.

For example, say Person X wanted to hold a raffle, but was ineligible to conduct raffles under §33-57-120(A). Person X then approached Nonprofit Y and offered to give a percentage of the raffle proceeds to use Nonprofit Y’s name for the raffle, so that the raffle would have the appearance of being a legal raffle. This arrangement would be illegal under §33-57-140, and both Person X and Nonprofit Y would be subject to administrative fines and/or criminal prosecution.

Section 33-57-140(D), however, allows for two or more qualified nonprofit organizations to participate together in order to conduct a raffle.

How should expenses be tracked if a raffle is held at the same event as a silent auction and a live auction?

If there are costs that can be allocated directly to the raffle (for example, prize expenses), then these should be tracked separately from the costs attributed to the silent auction and the live auction.

What is the difference between an exempt raffle and a non-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 \$500.00.
- 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 may be collected by the nonprofit organization or the raffle winner for an exempt fifty-fifty 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.

Are “Casino Nights” allowed now?

No. SC 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.

Are nonprofits allowed to do auctions?

Yes.

Is a Door Prize a Raffle?

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

Can an organization sell raffle tickets online?

Yes. Although §§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.

How soon can NPOs register following ratification?

A nonprofit organization will be eligible to file its raffle registration form with the Secretary of State thirty days after the constitutional amendment is ratified.

What steps can a nonprofit 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 nonprofit organization that is subject to the Solicitation of Charitable Funds Act should ask itself the following questions prior to submitting its raffle registration:

1. Is the organization authorized to solicit charitable 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 using the Charity Search Engine, or by email at charities@sos.sc.gov.
 - Renewal reminders for charitable organizations are sent out six 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.
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.
 - 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.
 - Charitable organizations should also 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.