



## Raffles Conducted by Churches

(My high school English teacher would frown on my choice of word order...and I don't want any of you to think I'm talking about raffling off a church.)

Seriously, many churches have various fundraisers – typically called “special events.” These special events can take different forms, including a dinner, a golf tournament, an auction and a raffle - to name a few. Let's talk about a raffle for a moment, particularly the required reporting by the church for its contributors/supporters/donors.

The IRS is very explicit that monies paid to participate in a special event are only a contribution to the extent the payment made exceeds the fair value of what's received by the 'donor' in return. So with a dinner, only the amount paid in excess of the dinner's value is allowed as a charitable deduction. The charity is supposed to tell the donor the value of the meal received so the donor can determine the excess portion that is a contribution/deduction.

In the case of a raffle, the IRS is very strict in that the purchaser of a raffle gets no deduction for the cost of the ticket(s) purchased. Their logic is that the person purchases a chance to win a prize so there is no donative intent whatsoever; in fact, the winner has taxable income. (They do allow the 'cost' of the ticket(s) purchased can be netted against the winnings.)

There is one small 'loophole' (comprised of two components) that might allow the 'donor' to be able to deduct the price of the raffle tickets purchased. These two components are that the chance of winning is so small because of the number of tickets sold and/or the value of the prize is inconsequential.

Lastly, for the winner, the Church is required to issue a tax document (Forms 1099 or W-2G) to the donor if the value meets a certain dollar threshold. You (the Church) might also be required to withhold or get a payment from the winner (in the case of a non-cash prize) that's treated as withholding and required to be deposited with the IRS – just like federal tax withholding.

Bottom line: be careful of the various tax reporting rules and requirements when you take on a special event fundraiser.