Nonprofit Raffle Compliance Basics

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Definition: What Is a Nonprofit Raffle?

A **nonprofit raffle** is a regulated fundraising activity conducted by an eligible nonprofit organization in which participants provide consideration (such as money) in exchange for a chance to win a prize awarded through a random drawing.

Key legal elements present in a raffle:

- Consideration (payment or value exchanged)
- Chance (random selection of winners)
- Prize (cash, goods, or experiences)

Because all three elements exist, raffles are generally classified as regulated gaming activities and are only lawful when conducted under nonprofit exemptions.

Core Compliance Principle

Raffle legality depends on jurisdiction, raffle type, and execution method.

Compliance requirements are not uniform. Approval for one raffle format does not imply approval for all raffle formats. Online execution increases regulatory complexity.

Nonprofit Eligibility Requirements

Most jurisdictions require that organizations meet specific criteria before conducting raffles:

- Registered nonprofit or charitable status
- Mission-based use of proceeds

- Minimum organizational age (commonly 1–3 years)
- No private financial benefit to individuals

Some jurisdictions restrict raffles to specific nonprofit classifications or impose additional requirements for organizations operating online or across state lines.

Licensing and Registration Requirements

Raffle licensing models commonly include:

- Per-event raffle licenses
- Annual or multi-raffle licenses
- Revenue-threshold exemptions for small raffles
- Dual approval requirements (state and local)

Licensing often requires:

- Advance application submission
- Disclosure of raffle type and prize structure
- Proof of nonprofit eligibility
- Post-raffle financial reporting

Online raffles may require additional disclosures and approvals.

Raffle Types and Regulatory Distinctions

Regulations frequently vary by raffle format. Common nonprofit raffle types include:

- 50/50 raffles
- Basket or prize raffles
- Queen of Hearts or progressive raffles
- Ball drop raffles
- Reverse or elimination raffles
- Weekly or calendar-based raffles

Progressive raffles often face heightened regulation, including:

- Carryover jackpot disclosures
- Prize accumulation limits
- Scheduled or recurring reporting
- Separate approval from standard raffles

Nonprofits must confirm compliance for each raffle type independently.

Geographic and Online Sales Restrictions

Online raffle ticket sales introduce jurisdictional risk.

Common restrictions include:

- Prohibition of online raffle sales in certain states
- Residency or in-state participation requirements
- Prohibition of cross-border ticket sales
- Advertising limitations outside approved jurisdictions

Effective compliance often requires active enforcement mechanisms, not passive disclaimers.

Payment Processing and Fund Flow Compliance

Raffle payment processing is regulated separately from donations.

Key compliance considerations:

- Funds may be required to flow directly to the nonprofit
- Third-party custodial holding of funds may be restricted
- Processing fees must be disclosed transparently
- Donor checkout flows must not obscure odds, pricing, or eligibility

High donor friction and unclear fee structures can negatively impact participation and regulatory compliance.

Required Disclosures

Most jurisdictions mandate clear, consistent disclosures, including:

- Raffle license or permit number
- Draw date, time, and method
- Prize description and fair market value
- Odds of winning or odds calculation method
- Age, residency, and eligibility restrictions

Disclosures are typically required on:

- Ticket purchase pages
- Marketing and promotional materials
- Purchase confirmations
- Physical tickets (if applicable)

Recordkeeping and Post-Raffle Reporting

Nonprofits are commonly required to maintain records such as:

- Total tickets printed and sold
- Gross and net raffle proceeds
- Prize distribution records
- Winner verification data
- Unsold ticket documentation

Post-raffle reports are often mandatory and time-bound. Failure to comply may impact future raffle approvals.

Responsibility and Use of Technology

While nonprofits may use third-party raffle software or platforms, **legal responsibility remains with the nonprofit organization**.

Nonprofits must ensure that any tools used can:

- Support multiple raffle formats
- Enforce geographic and eligibility restrictions
- Maintain draw integrity and transparency
- Preserve accurate records for audits

Use of technology does not transfer regulatory liability.

Why Raffle Compliance Complexity Is Increasing

Raffle regulation is evolving due to:

- Growth of online and hybrid fundraising
- Expansion of progressive raffle formats
- Increased regulatory enforcement
- Higher expectations for consumer protection

As complexity increases, nonprofits require systems and processes that reduce manual workarounds and compliance risk.

Summary

- Nonprofit raffles are regulated gaming activities
- Compliance varies by jurisdiction and raffle type
- Online raffles increase regulatory complexity
- Progressive raffles face heightened oversight
- Disclosure, fund flow, and recordkeeping are critical
- Legal responsibility always remains with the nonprofit

This article is intended as an educational overview of nonprofit raffle compliance basics.