

Parish / Grade School Information Center - Raffle Requirements

Every year there are numerous carnivals and festivals held throughout the Diocese. Many of these events are in conjunction with some type of raffle or game of chance. There are many tax reporting requirements that must be followed when the winner of the raffle or game of chance claims his or her prize. Parishes are **NOT** exempt from following these guidelines:

- IRS form W-2G must be filed by the parish for a winner of \$600 or more of a lottery, raffle, or drawing. Raffles are considered lotteries for the purpose of withholding and backup withholding.
- The prize recipient must furnish to the parish a taxpayer identification number (TIN). It is the responsibility of the parish to verify the information obtained. It may be wise to make a photocopy of a driver's license or state identification card. The address and TIN can be verified this way. (*TIN means social security number*)
- Withholding of 28% for federal tax is required if the prize is \$5,000 or more. Withholding is not required if the prize is less than \$5,000 providing the prize recipient furnishes acceptable identification and a TIN.
- If the prize recipient refuses to provide a correct TIN, the parish must withhold 31% federal tax on any amount over \$600. This is referred to as backup withholding.

A non-cash payment, such as a car, would be recorded at its fair market value for purposes of reporting and withholding. The fair market value should be obtained in writing from the dealership that provides the automobile. The fair market value would be reduced by the price of the wager, for example, if the raffle ticket costs \$10 (ten dollars), the fair market value would be reduced by \$10. If the fair market value exceeds \$5,000, the winnings are subject to 28% regular gambling withholding.

If the parish, as part of the prize, pays the federal tax required to be withheld without deducting the taxes from the prize, the prize is deemed to include the amount of the federal tax paid by the parish. If the parish pays all of the federal tax required to be withheld, an amount equal to 38.88% of the amount actually paid to the winner.

Your parish is responsible for paying regular gambling withholding or backup withholding, so the best time to collect withholding is before the prize is paid.

IRS Publication 3079 is very clear on the rules regarding withholding and reporting for raffle prizes. Each parish was issued IRS Publication 3079 "Gaming Publication for Tax-Exempt Organizations". If you need another copy you can telephone the IRS at 1-800-829-1040 or you can download a copy from the IRS website www.irs.gov and print it locally on your office printer or if you prefer you may call Judy Cackowski in the Finance Office at extension 4650. She will be happy to send you a copy, while supplies last.