

# Raffles, Bingo, and Other Games of Chance

**T**he chance of winning cash or a prize while helping a charity sounds like a win-win circumstance for everyone. The BBB Wise Giving Alliance provides this advice for donors participating in such activities.

## Deductibility

As noted in IRS Publication 526, “You cannot deduct as a charitable contribution amounts you pay to buy a raffle or lottery tickets or to play bingo or other games of chance.” While this may put a damper on some of the enthusiasm, charities still benefit from these activities.

## Raffles

As long as local ordinances allow it, charities can sell raffle tickets at a bazaar or other fund raising function. It might be for a new car, television, or dinner for two at a local restaurant. If the charity uses the **U.S. mail** to market and distribute such ticket sales, however, it is in most cases illegal as noted in the sweepstakes section below.

## Direct Mail Sweepstakes

Some charities use sweepstakes as part of their direct mail campaigns. You will note, however, that such mailings do **not** require the recipient to donate to the charity in order to participate in the sweepstakes. If the sweepstakes offer required a donation or payment to participate, it could be subject to challenge under the U.S. Postal lottery statutes. Under these statutes, one cannot use the U.S. mail to sell lottery or raffle tickets. In addition to federal statutes, some states have their own regulation concerning sweepstakes. The Alliance

also reminds participants to read the official contest rules to determine both the odds of winning and value of the offered prizes.

## Bingo!

Bingo has been a favorite fund raising approach by some local charities. In some cases it may be an ongoing weekly activity. One thing to keep in mind is that sometimes a lot of cash flows at these games and in poorly managed events, some of the organizers have been known to “skim off the top” and pocket some of the funds. If the charity implements proper internal controls, they can reduce the risk of this taking place.

