

Progressive Lottery or Raffle

Overview

The [Nebraska Lottery and Raffle Act](#) governs lotteries and raffles which exceed \$15,000 in gross proceeds (ticket sales). The [Nebraska Small Lottery and Raffle Act](#) governs lotteries and raffles which do not exceed the \$15,000 threshold.

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A lottery or raffle with a progressive jackpot (typically called Queen of Hearts or similar named game) is a game of chance where a participant has the opportunity to win a portion of the money held in a jackpot and a portion of the jackpot is kept by the organization. **Please note, there are several versions of how a progressive jackpot lottery or raffle may be conducted. **This document provides examples only.**

Eligibility—To be eligible for a progressive lottery/raffle license, an organization must be:

- ❖ Organized or incorporated in Nebraska as a nonprofit organization or corporation and have tax exempt status under Internal Revenue Code (IRC) § 501; or
- ❖ Be a volunteer fire company or volunteer first-aid, rescue, ambulance, or emergency squad.

Applying for a License—To apply for a lottery/raffle license to conduct a progressive lottery or raffle, an eligible organization must file with the DOR, a Nebraska Application for Bingo, Lottery, Raffle, or Lottery by Pickle Card, Form 50, a Nebraska Application for Utilization of Funds Member, Form 50H, and a Registration of Progressive Lottery or Raffle. The biennial license fee is \$30. The biennial license fee for the utilization of funds member is \$40.00. The two-year licenses expire on September 30 of either an odd- or even-numbered year, based upon the eligible organization's IRC § 501. License fees are due in full for the biennial licensing period; however, if a new application is received by DOR and the licenses will become effective on or after October 1 of the second year of the biennial licensing period, the license fees will be one-half of the biennial fee. **A Registration of Progressive Lottery or Raffle must be filed with the DOR prior to the start of EACH new progressive lottery or raffle. These forms are available on our website or you can make copies of this form.**

Drawing Dates—A predetermined day of the week and time must be established for each weekly drawing. This information must be included on the Form 50R each time you register your lottery or raffle.

Gross Proceeds, Reporting and Tax—The gross proceeds are determined by multiplying the number of tickets sold or given away by the selling price of a single ticket; you may not apply any discounts (such as 6 tickets for \$5) when determining the gross proceeds for tax reporting purposes. Progressive lotteries and raffles exceeding \$15,000 are subject to a two percent state tax on the gross proceeds. The tax is due on or before September 30 of each year. Tax returns are automatically sent to the licensed organization. The licensed organization is also required to file a Lottery/Raffle Annual Report, Form 35B, which is due by August 15 of each year. **If there are multiple drawing dates within a single month, and the total gross proceeds from all of the lotteries and raffles combined exceed \$15,000, the licensing, reporting, and tax requirements apply.**

Bank Account—The organization must establish a **separate bank account** at a financial institution, to be used exclusively for lottery/raffle activity. The name and address of the bank and the bank account number must be supplied on the application at the time the organization applies for a license.

Ticket Requirements—Tickets for a progressive lottery or raffle must be constructed as a two-part ticket, with a detachable stub. The tickets and the detachable stubs must each contain a unique sequential number. Additionally, the tickets must contain at a minimum, the following information.

- ❖ Name and state ID number of the licensed organization; and
- ❖ Cost per ticket;

A portion of the ticket is kept by the organization and placed in to the receptacle bin used for the drawing. The other portion is to be kept by the purchaser. The purchaser must present the ticket to claim the prize. The word “donation” is not acceptable on a lottery or raffle ticket. **Only one name per ticket.** If a participant is not required to be present to win, they may write the number of an envelope on the game board on the back of the ticket. If the ticket is drawn, that envelope is removed from the board, and the participant may claim the prize at a later date.

Prizes, Expenses, and Age Requirements—At least 50% of the gross proceeds of each lottery or raffle is to be used for awarding of prizes. The organization cannot use more than 10% of the gross proceeds to pay the allowable expenses of the lottery or raffle. All ticket purchasers and participants must be at least 18 years of age. A valid ID must be presented when claiming a prize.

Conduct of the Game—EXAMPLE ONLY. Each game will begin with a full deck of standard playing cards, including the jokers. Each playing card will be assigned a monetary amount as determined by the organization.

Example:

2–10 - \$25.00

Any face card except the Queen of Hearts - \$50.00

Aces - \$50.00

Jokers - \$100.00

Queen of Hearts - split the pot

Each card will be placed into an envelope and randomly numbered 1–54. The cards are to be placed onto the game board so participants can see the envelopes.

On the designated day and time, a member of the organization will randomly draw a ticket from the receptacle. The participant that holds the winning ticket will then choose an envelope from those that are on the game board. The participant will win the monetary amount as indicated on the playing card. Once a card is selected, it will be removed from play and shown face up on the board. If the Queen of Hearts is not drawn, the jackpot rolls over to the next week. If the Queen of Hearts is drawn, then the organization has the option of ending the lottery or raffle and starting a new one. Alternatively, if there are still high tier prizes that have not been awarded, the activity may continue until such time as the high tier prizes are awarded. **Regardless of the type of progressive lottery or raffle an organization chooses to conduct, ALL tickets not drawn are disposed of after each weekly drawing. The organization must establish rules for the conduct of the game, and they must be posted at the designated location.**

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