

NEBRASKA

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DEPARTMENT OF REVENUE

Quick Overview of Nebraska Lottery and Raffle Laws

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Advisory

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Are We Conducting a Lottery Or a Raffle?

- **A Lottery Is A Gambling Activity**
Where:

- Participants pay something of value for an opportunity to win
- Sequentially numbered tickets are sold
- Winners are determined by a random drawing of tickets or by a race of inanimate buoyant objects

- **Lottery = Cash Prizes**

- **A Raffle Is A Gambling Activity**
Where:

- Participants pay something of value for an opportunity to win
- Sequentially numbered tickets are sold
- Winners are determined by a random drawing of tickets or by a race of inanimate buoyant objects

- At least **80%** of the value of the prizes are **merchandise** which is not directly or indirectly redeemable for cash

- **Raffle = Merchandise Prizes**

Why Is This Distinction Important?

The licensing threshold for a lottery is lower than that for a raffle

LOTTERY

RAFFLE

Gross proceeds greater than
\$1,000 – License is Required

Gross proceeds greater than
\$5,000 – License is Required

- Gross proceeds are the total receipts from the conduct of the lottery or raffle, without any reduction for prizes, discounts, taxes, or expenses
- Includes receipts from required purchase or admission costs to the extent that the purchase or admission includes a chance in the lottery or raffle
- Includes the value of any free tickets

Lottery and Raffle Eligibility

Licensed Lottery or Raffle

(over \$1,000/\$5,000)

- Nebraska nonprofit organization or nonprofit corporation exempt under section 501 of the Internal Revenue Code or a volunteer fire company, or volunteer first- aid, rescue, ambulance, or emergency squad
- Must be organized or incorporated in Nebraska, and conduct activities other than lotteries and raffles
- Have at least 10 members in good standing

Small (unlicensed) Lottery or Raffle

(\$1,000/\$5,000 or less)

- Nebraska nonprofit organization or nonprofit corporation exempt under section 501 of the Internal Revenue Code **OR**
- Whose major activities, exclusive of conducting any lottery or raffle, are conducted for charitable or community betterment purposes
- Must have its principal office located in Nebraska, and conduct a majority of its activities in Nebraska

Lottery/Raffle Licenses and Fees (gross over \$1,000/\$5,000)

- **Organization Lottery/Raffle License - \$30** (biennial)
- **Utilization of Funds Member - \$40** (biennial)
 - Must be an active and bona fide member of the organization for at least one year (hardship waiver upon written request)
 - Citizenship attestation form required of new license applicants
- **Optional Special Permit - \$10**
 - Waives the 65% payout requirement, 10% expense limitation, and age restriction
 - One permit per year, valid for up to 90 days
- **Local Licensing May Be Required**
 - Authorization by ordinance or resolution can be required in City of Lincoln/Lancaster County and City of Omaha/Douglas County only

General Lottery and Raffle Requirements

Licensed Lottery/Raffle

(over \$1,000/\$5,000)

- Prize payout of at least 65%*
- 10% expenses limitation*
- Must be 18 to participate*
- Separate bank account used only for lottery/raffle proceeds
- **2% tax on gross proceeds**
- Quarterly and Annual Reports required
- Sell sequentially numbered tickets which also contain Organization's name and state ID, cost per ticket, and date of drawing
- Determine winners by random drawing or race of inanimate buoyant objects

*Can be waived with Special Permit

Small (unlicensed) Lottery/Raffle

(\$1,000/\$5,000 or less)

- No minimum prize payout requirement
- No expenses limitation
- No age restrictions
- No separate bank account
- **No taxes**
- No reporting requirements
- Sell sequentially numbered tickets
- Determine winners by random drawing or race of inanimate buoyant objects
- **Other Limitations**
 - Only one lottery per calendar month
 - Unlimited number of raffles – **but** combined gross proceeds cannot exceed \$5,000 per calendar month

Use of Lottery and Raffle Gross Proceeds

All Lotteries and Raffles

- Prizes
- Expenses
- Taxes (if applicable)
- License fees (if applicable)
- Lawful purpose
- Charitable or community betterment purposes
 - Includes charitable, benevolent, humane, religious, philanthropic, recreational, social, educational, civic or fraternal activities conducted by the organization for the benefit of its members
 - **Not Permitted** - Lobbying and political campaigns expenses or contributions

State and Federal Lottery/Raffle Tax Requirements

- **State Lottery/Raffle Tax – 2% of Gross**
 - Form 51
 - Due Quarterly
- **Annual Report**
 - Due by August 15 of each year
- **Federal Form W-2G Certain Gambling Winnings**
 - Refer to IRS Publication 3079
 - If the amount paid reduced by the amount of the wager is \$600 or more and at least 300 times the amount of the wager
- **Withholding Tax**
 - Federal withholding at the rate of 28% is required if value of prize is more than \$5,000
 - Nebraska withholding is required at the rate of 5%
 - Use fair market value for noncash payments
- Contact IRS at 866-455-7438

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Charitable Gaming Division

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