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

<table>
<thead>
<tr>
<th>LOTTERY</th>
<th>RAFFLE</th>
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<tbody>
<tr>
<td>Gross proceeds greater than</td>
<td>Gross proceeds greater than</td>
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<tr>
<td>$1,000 – License is Required</td>
<td>$5,000 – License is Required</td>
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- 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