

HOFSTRA UNIVERSITY

Policy and Procedures

Subject: Raffles
Date Last Revised: March 16, 2009
Responsible Office: Development/Financial Affairs

Purpose

This policy governs all raffles conducted by the University, and applies to all employees, students, alumni, and any other authorized representative of the University.

This policy is intended to inform and guide departments when considering a raffle in support of the University or any group associated with the University, and to ensure compliance with the external regulations of the Internal Revenue Service and New York State.

Reporting Requirements

The Internal Revenue Service (IRS) requires federal income tax withholding and reporting for raffles conducted by tax-exempt organizations in certain circumstances, as described below.

In addition the University must comply with the additional filing requirements mandated by New York State.

Policy

Prior Approval of the Office of Legal Affairs

The Office of Legal Affairs must be consulted before any raffle is advertised, printed on tickets or conducted. The legal approval is essential to ensure University compliance with all regulatory requirements associated with raffles, including all necessary disclosures.

The Office of Legal Affairs must approve all recommendations to conduct a raffle, before the raffle is advertised or conducted. Regardless of the amount of the raffle prize, the department wishing to conduct a raffle must notify the Office of Legal Affairs of their intent and plans. Notice should be given 30 days prior to the date of the raffle drawing, and before any advertisement of the raffle is issued.

The department will be required to complete a raffle registration form, which must be approved by the Office of Legal Affairs. Documentation supporting the value of the prize shall be attached.

All raffles must indicate the following in all marketing or promotional materials regarding the raffle:

“Winners will be responsible for all taxes associated with the prize.”

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Conducting the Raffle

At the time of the raffle drawing, before the winner receives his/her prize, the sponsoring department, must ensure the following:

For prizes with a value of less than \$600:

The winner provides his/her name, address, and phone number.

For prizes with a value of \$600 or more:

The winner provides his/her name, address, social security number, and phone number by completing a Form W-9, "Request for taxpayer Identification Number and Certification.

All information shall be submitted to the Office of Legal Affairs following the raffle, within one week.

The Office of Legal Affairs will coordinate the proper filing of tax forms with the Office of Financial Affairs.

Accounting for Raffles

Proceeds from raffle activities must be deposited to a separately designated account, approved and set up with the Office of Financial Affairs in advance of any activity. Raffle proceeds may not be commingled with other gift proceeds.

Reporting Raffle Prizes

An exempt organization must report raffle prizes if:

1. The amount paid, reduced by the wager (the amount paid for chance to win a prize) is \$600-\$4,999; **and** at least 300 times the amount of the wager; or
2. The amount paid is \$5,000 or more.

The person(s) receiving the raffle winnings either for someone else or as a member of a group of winners must furnish the University a statement on Form 5754.

The University will issue Form W-2G to the winner by January 31, in the year following the raffle, and will issue the same form to the IRS.

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Reporting Raffle Prizes (continued)

There are additional reporting requirements if the total amount of University raffles exceed certain thresholds, and the University reserves the right to restrict the number of raffles permitted in any calendar year.

Federal Income Tax Withholding

Cash Prizes

Tax must be withheld on individual raffle prizes exceeding \$5,000. The current withholding rate is 25%, and the tax amount will be reported on Form W-2G. If the University fails to withhold or collect the tax withholdings from the winner, the University is liable for the tax.

If the winner fails to furnish a correct taxpayer identification, the University is required to withhold 28%.

Non-Cash Prizes

For non-cash prizes valued at \$5,000 or greater, the University is required to withhold 25% of the fair market value of the prize minus the amount of the wager.

Should the University choose to pay the withholdings on behalf of the recipient, the amount of withholdings to be paid shall be equal to 38.88% of the amount paid to the winner. In such cases, the prize will be deemed to include the amount of federal tax paid by the University. The cost of the prize, including the withholding, must be borne by the department running the raffle.

New York State Reporting Requirement

The Office of Legal Affairs, working with the department, will ensure that all New York State filing requirements are met. It is essential that the Office of Legal Affairs be consulted long before any raffle is advertised or conducted.