

## Nebraska Lottery and Raffle

### Overview

The [Nebraska Lottery and Raffle Act](#) governs lotteries which exceed \$1,000 in gross proceeds (ticket sales) and raffles which exceed \$5,000 in gross proceeds. The [Nebraska Small Lottery and Raffle Act](#) governs lotteries and raffles which do not exceed the \$1,000/\$5,000 thresholds.

*This guidance document is advisory in nature but is binding on the Nebraska Department of Revenue (DOR) until amended. A guidance document does not include internal procedural documents that only affect the internal operations of DOR and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.*

*This guidance document may change with updated information or added examples. DOR recommends you do not print this document. Instead, sign up for the subscription service at [revenue.nebraska.gov/gaming](https://revenue.nebraska.gov/gaming) to get updates on your topics of interest.*

### Terms

**Gross Proceeds.** 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.

**Lottery.** A ticket drawing or race of inanimate buoyant objects (such as a duck race) where the prizes are primarily cash.

**Online Lottery and Raffle.** Allows an organization to sell lottery and/or raffle tickets through their website.

**Raffle.** A ticket drawing or race of inanimate buoyant objects (such as a duck race) where the prizes are primarily merchandise. To qualify as a "raffle" at least 80 percent of the prizes (as determined by their fair market value) must be merchandise.

**Utilization of Funds Member.** A member of the licensed organization who will be in charge of the lottery or raffle. This person is also accountable for proper use of lottery/raffle monies.

### Licensed Lotteries and Raffles

**Eligibility.** To be eligible for a 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.

In addition, the organization must have at least ten members, as defined in the organization's articles of incorporation or bylaws. A lottery/raffle license entitles the organization to conduct as many lotteries and raffles exceeding the \$1,000/\$5,000 thresholds as the organization desires during the licensing period.

If the organization is located in, or plans to sell lottery or raffle tickets in the cities of Lincoln or Omaha, or Lancaster or Douglas County, it may be required to obtain an additional local permit to conduct lottery or raffle activity within these jurisdictions. There may also be a local lottery/raffle tax. The organization should contact the appropriate city or county clerk in these jurisdictions to see if local permit or tax obligations apply.

**Applying for a License.** To apply for a lottery/raffle license, an eligible organization must file with DOR, a [Nebraska Application for Bingo, Lottery, Raffle, or Lottery by Pickle Card, Form 50](#), and [Supplemental Questionnaire](#). The biennial license fee is \$30. The two-year license expires on September 30th of either an odd or even-numbered year, based upon the eligible organization's exemption under IRC § 501. License fees are due in full for the biennial licensing period; however, if a new application is received by DOR and the license will become effective on or after October 1 of the second year of the biennial licensing period, the license fee due will be one-half of the biennial fee.

**Utilization Of Funds Member.** An organization applying for a lottery/raffle license must also designate at least one of its members to be licensed as the Utilization of Funds Member (UFM). The UFM is responsible for all lottery/raffle activity conducted by the organization. This includes supervising and coordinating the activity as well as ensuring that all laws, rules, and regulations are met by all individuals involved with the lottery/raffle. The UFM is also responsible for all the money raised through the activity, and must ensure that the profits from a licensed lottery/raffle are used for a lawful purpose. The individual applying for the license must be an active and bona fide member of the organization for at least one year in order to be eligible for the license. If the one-year membership requirement imposes an undue hardship on the organization, DOR may waive the requirement. Instructions for requesting a hardship waiver can be found on the application form for the [Nebraska Application for Utilization of Funds Member, Form 50H](#). More than one UFM may be licensed if the organization desires. The biennial fee for a Utilization of Funds Member license is \$40.

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

**Prizes, Expenses, and Age Restrictions.** At least 65% of the gross proceeds of each licensed lottery or raffle must be awarded to participants in the form 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. There are exceptions to these three requirements if the organization has obtained a Special Permit.

**Special Permit.** A licensed organization may apply for a lottery/raffle Special Permit. The permit is valid for one year and exempts the organization from the following three requirements:

- ❖ The 65% prize payout;
- ❖ The 10% expense limitation; and
- ❖ The 18 years of age participation restriction.

The Special Permit allows the organization to conduct one lottery and/or one raffle during the period. The organization cannot begin selling lottery or raffle tickets before the beginning date of the Special Permit, and the winners must be determined on or before the ending date of the Special Permit. The fee for a Special Permit is \$10.

**Ticket Requirements.** Tickets for a licensed 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;
- ❖ Cost per ticket;
- ❖ Date on which winners will be determined; and
- ❖ A statement indicating whether or not the winner must be present when winners are determined.

See sample tickets on page 5 of this guide.

**Winner Determination.** The winners for a licensed lottery or raffle can be determined only by a random drawing of the tickets, or by a race using inanimate, buoyant objects floated along, for example, a river or canal. No other methods of winner selection are allowed.

**Use of Profits.** The profits from a licensed lottery or raffle must be used for a lawful purpose as defined in the Nebraska Lottery and Raffle Act and regulations. For more information regarding lawful purpose use of proceeds, please see [Reg-35-401, Lawful Purpose](#).

**Reporting and Tax.** Lotteries exceeding \$1,000 and raffles exceeding \$5,000 are subject to a **two percent state tax** on 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.

## Online Lotteries and Raffles

Online lotteries and raffles permit qualifying nonprofit organizations to sell lottery and/or raffle tickets through their website. Tickets may be purchased with cash, check, or debit card. **Credit card purchases are not authorized.** If the proceeds from lottery/raffle ticket sales are initially processed through another account in the name of your organization, it is required that all proceeds must be transferred into the lottery/raffle bank account as soon as possible.

**Ticket Requirements.** Tickets for a licensed lottery or raffle must be constructed as a two-part ticket, with a detachable stub. The tickets and detachable stub must each contain a unique sequential number and be the same size, shape, and weight. For tickets sold electronically, the stubs must be detached, scanned, and emailed to the purchaser. The tickets must be kept in a safe location until they are placed in the receptacle for the drawing to determine the winner.

**Winner Determination.** The winners for a licensed lottery or raffle can be determined only by a random drawing of the physical tickets, or by a race using inanimate, buoyant objects floated along, for example, a river or canal. No other methods of winner selection are allowed.

## Small Lotteries and Raffles

**The Nebraska Small Lottery and Raffle Act** permits qualifying nonprofit organizations to conduct, without a license, **one** small lottery per calendar month which does not exceed \$1,000 in gross proceeds, and an unlimited number of small raffles per month provided the total gross proceeds from all the raffles combined do not exceed \$5,000 per calendar month. **It is important to understand that if you begin conducting a lottery or raffle under the Nebraska Small Lottery and Raffle Act, you must stop selling tickets when you reach the \$1,000/\$5,000 gross proceeds limits; you cannot upgrade a small lottery or raffle to a licensed lottery or raffle once ticket sales have begun.**

**Eligibility.** To be eligible to conduct small lotteries and raffles, an organization must: (1) be organized or incorporated in Nebraska as a nonprofit organization or corporation and have tax exempt status under IRC § 501; or (2) **be an organization whose major activities, exclusive of conducting any lottery or raffle, are conducted for charitable or community betterment purposes.** Additionally, to be eligible an organization must also have its principal office located in Nebraska.

**Prizes, Expenses, and Age Restrictions.** There is not a minimum prize payout requirement or maximum expense limitation for small lotteries and raffles as there is for licensed lotteries and raffles, nor is there an age restriction relative to selling tickets or participating in a small lottery or raffle.

**Ticket Requirements and Winner Determination.** Tickets for a small lottery or raffle need to be **sequentially numbered** and be the same size, shape, and weight. Winners in a small lottery or raffle can be determined by a random drawing of the tickets, or by a race using inanimate, buoyant objects floated along a river, canal, or other waterway. No other methods of winner selection are allowed.

**Use of Profits.** The profits from a small lottery or raffle must be used for a charitable or community betterment purpose as defined in the Nebraska Small Lottery and Raffle Act and regulations.

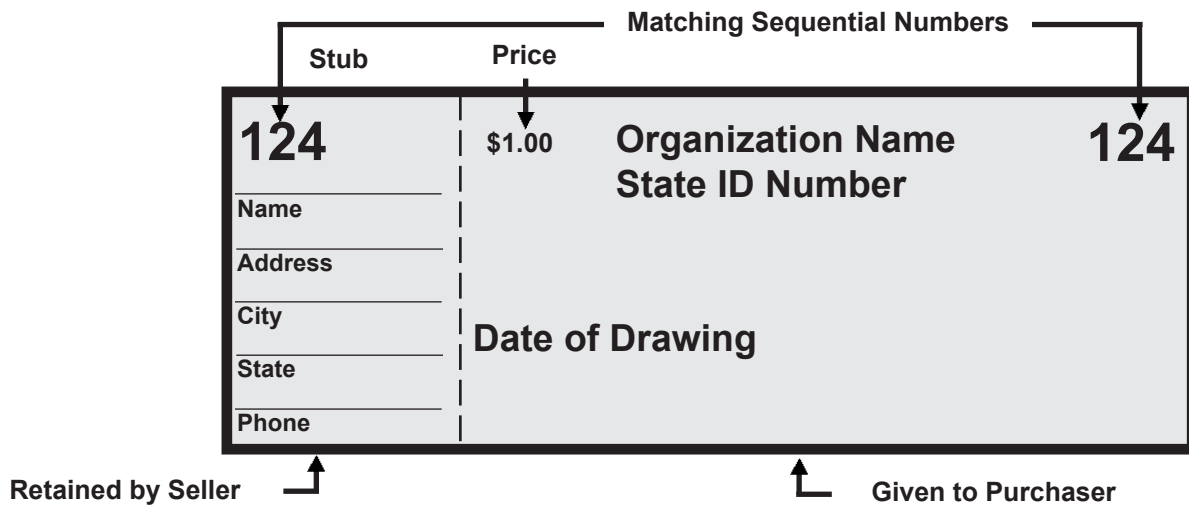
## **Calendar Lotteries and Duck Races**

If your organization is interested in conducting a calendar lottery (which involves the awarding of daily, weekly, or monthly prizes), duck race, or any other unique type of lottery or raffle involving the purchase of an object, product, or admission to an event, **please contact the Charitable Gaming Division** for advice and assistance in conducting the activity properly.

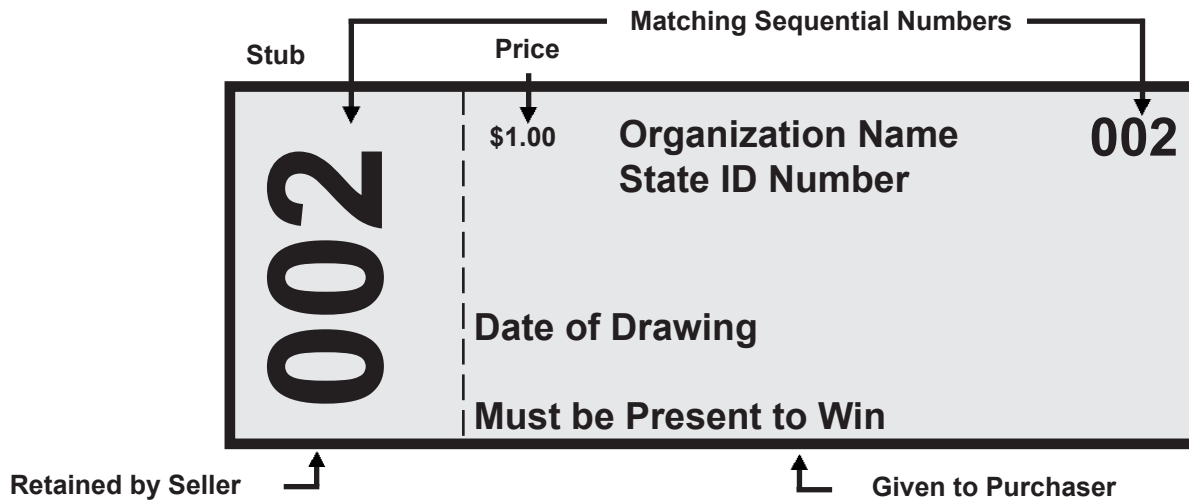
# Sample Licensed Lottery or Raffle Tickets

These samples illustrate the information which is **required** to be listed on all **licensed** lottery or raffle tickets. Tickets must be constructed with a detachable stub. **In addition, please note that the use of the word "donation" on a lottery or raffle ticket is not acceptable.** The amount paid to purchase a lottery or raffle ticket is not considered a tax deductible contribution.

## Option 1: Participants are not required to be present at the drawing to win.



## Option 2: Participants must be present at the drawing to win.



[revenue.nebraska.gov/gaming](http://revenue.nebraska.gov/gaming)

877-564-1315 or 402-471-5937

Nebraska Department of Revenue, Charitable Gaming Division, PO Box 94855, Lincoln, NE 68509-4855