

Is Your Nonprofit Considering Holding a Raffle? Think Twice.



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02/19/2024

Raffles can be a profitable and exciting fundraiser for nonprofits seeking to raise money for their cause. Raffles are considered games of chance, meaning participants pay money for a chance to win a prize. Games of chance can be considered lotteries and are heavily regulated in many states as a form of gambling. Arkansas is no exception.

In 2007 the General Assembly passed the “Charitable Bingo and Raffles Act” in order to legalize games of chance such as bingos and raffles, *when conducted for a charitable purpose* and otherwise in compliance with the mandates of the law.^[1] The general principle is that bingo games and raffles constitute forms of a lottery and are illegal in Arkansas. However, the Act lays out limited circumstances in which raffles are perfectly legal, when performed in compliance with the Act’s provisions, of course.

In order for a charitable organization to legally conduct a raffle in Arkansas, the organization must first possess a raffle and bingo license from the Arkansas Department of Finance. Under the Act, only an “authorized organization” may obtain a license to conduct raffles. According to Ark. Code Ann. § 23-114-102, an authorized organization includes a nonprofit tax-exempt religious, educational, veterans, fraternal, service, civic, medical, volunteer rescue service, volunteer firefighters organization or volunteer police organization that has been in continuing existence as a nonprofit tax-exempt organization in Arkansas *for at least five years prior to conducting the raffle*. In simpler terms, the organization must be an established 501(c)^[2] organization in existence in Arkansas for at least 5 years before applying for a license.

In addition to obtaining a license, an authorized organization must maintain a bingo/raffle checking account with an in-state financial institution and maintain lengthy documentation including but not limited to: (i) receipts by event date reflecting the number of games held, (ii) the event’s start and end times, (iii) gross and net receipts, (iv) door prizes paid out, (v) donors, (vi) donations, (vii) winners, and (viii) event workers.

For charitable organizations, understanding the law before conducting a raffle is essential to avoiding the penalties for holding an unlicensed raffle. If a charitable organization is unsure about how to comply, it should consider consulting legal counsel. Failure to comply with the licensing requirements could result in a fine of up to \$10,000 and failure to otherwise comply with any additional requirements is punishable by a fine of up to \$5,000.^[3]

^[1] Ark. Code Ann. § 23-114-101 *et seq.*

[\[2\]](#) 26 U.S. Code § 501

[\[3\]](#) Ark. Code Ann. § 23-114-104