



## **Federal Tax Requirements for Fundraising Raffles and Silent Auctions**

From time to time, PPF or one of its Chapters may conduct a raffle as a fundraiser. Aside from state and local licensing requirements (not the subject of this document), there are certain records which must be kept to satisfy the Internal Revenue Service Code.

In general, consideration should be given to the size of the individual prizes to be awarded. Any prize valued higher than \$5,000 (be it a cash prize or a noncash prize with a fair market value in excess of that amount) requires that: (a) an appraisal be obtained; and (b) PPF withhold 25% of the winnings in taxes. The ramifications of prizes of this size are also not the subject of this document.

Rather, this fact sheet speaks to the record-keeping requirements involved in a conducting a small raffle or silent auction, perhaps in conjunction with a banquet or dinner or other event, and assumes that individual prize values will not approach the \$5,000 level.

PPF (and by extension, its Chapters) are required to provide a Form W-2G (gambling) to a winner of every raffle prize in excess of \$600 if the amount of the prize is at least 300 times the price paid for the ticket. In its simplest terms, a run-of-the-mill raffle where tickets are sold for \$1 or 3 for \$5 and each individual prize is valued lower than \$600 does not trigger the filing requirement.

If, however, a Chapter should choose to offer a prize valued over \$600, the filing requirement would still not be triggered unless the cost of the ticket  $\times$  300 is higher than the value of the prize. For example, if the prize is valued at \$1,500 and a ticket is \$5, the W-2G must be provided (since the price of the ticket  $\times$  300 is exactly the value of the prize,  $\$5 \times 300 = \$1,500$ ). If the ticket was priced at \$4, however, there's no need for the form ( $\$4 \times 300 = \$1,200$ ). Obviously, then, some thought should be given to the relationship between the price of the ticket and the size of the individual prizes to be awarded.

IRS Form 5754 is the mechanism for collecting the information necessary to complete the year-end W-2G. Form 5754 is self-explanatory. It provides space for the prize winner to give his/her name, address, SSN and the amount of the prize, and for the possibility of several winners sharing one prize (although this is highly unlikely given the size of the prizes anticipated here).

While the IRS Code does not **require** PPF to provide W-2G's to winners unless the foregoing parameters are met, we will nonetheless require each Chapter conducting a raffle to obtain a Form 5754 from every winner of a prize so that should any question arise as to compliance with the Code, there will be no question as to the appropriateness of our tax filings. The Chapter should write somewhere on the form the price of each ticket in the raffle.

Upon collection from the prize winner, the forms should be forwarded to Bernadette Howard at the PPF office in Camp Hill.


With respect to silent auctions, the fair market value (established by the organization with input from the donors) should be displayed on each item offered for bid. The original donor is entitled to take a charitable deduction for the donation but this is not policed by PPF or the Chapter. We are not responsible for what the donor may claim.

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The difference between the price paid and the fair market value is a donation to the organization. Again, we are not responsible for what a prize winner may claim on his or her taxes; however, any bid in an amount \$250 more than the fair market value of the prize requires a receipt. AND the IRS has been taking the position that the organization should post somewhere that the deduction allowable is as outlined above (relationship between FMV and price paid).

A three-part receipt as shown (copies for chapter, winner, and PPF) is available upon request from the PPF office.

A spreadsheet to make it easier to track donors and winners in your silent auction is available for download.

		RECEIPT FOR WINNER (RAFFLE OR SILENT AUCTION)	
DATE:		CHAPTER:	
Name			
Address			
Optional Address			
City		State	ZIP
Telephone			
E-mail			
Social Security No.			
RAFFLE	Cash Paid/Fair Market Value of Prize:	\$	
	Price of an Individual Ticket:	\$	
SILENT AUCTION	Fair Market Value of Prize:	\$	
	Winning Bid:	\$	
Winner listed above acknowledges receipt of the listed proceeds of a raffle or silent auction sponsored by the above-named organization held on _____. Collection of this information is in accordance with the provisions of the Internal Revenue Service Code and will be used solely for this purpose.			
Thank you for your support!			

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