



CHARITABLE RAFFLES AND CASINO/POKER NIGHTS

by Texas Attorney General Greg Abbott

BEFORE ORGANIZING A CHARITY RAFFLE or poker tournament, well-meaning Texans may want to seek input from a legal professional. While some activities may be perfectly legal, this area of law is complex and can pose pitfalls for the unwary.

Raffles

The Charitable Raffle Enabling Act, which can be found in Chapter 2002 of the Occupations Code, establishes the statutory framework for raffles in Texas.

Under Texas law, only certain charitable and nonprofit organizations are authorized to conduct raffles. Only the following entities – provided they meet certain qualifications – are permitted to hold raffles:

- religious societies
- volunteer emergency medical service providers
- volunteer fire departments
- qualified nonprofit organizations

Raffles that are conducted by individuals, for-profit businesses or

non-qualifying charities are unlawful in the state of Texas, which generally prohibits gambling.

In order to conduct a raffle legally, a nonprofit organization must have, among other criteria, an exemption from federal taxes under Section 501(c) of the Internal Revenue Code and must have been in existence for three years.

State law allows authorized organizations to conduct only two raffles per calendar year, requires several disclosures printed on the raffle tickets, and limits the value of prizes purchased by the organization to \$50,000, or \$250,000 if the purchased prize is a residential dwelling.

It is also against the law to hold a raffle in which cash, or anything readily convertible to cash, is offered as a prize. Texas law also prohibits promoting raffles on a statewide basis or through paid advertising, including television, radio or newspapers. All proceeds from raffles must be spent on the authorized

organization's charitable purposes.

Because the Texas Penal Code outlaws gambling activities, conducting an illegal raffle could constitute criminal conduct.

Poker/Casino Nights

Unlike raffles and bingo, there is NO exception to the gambling law in Texas for nonprofits to hold poker or casino night fundraising events. Chapter 47 of the Texas Penal Code applies to nonprofit and for-profit organizations.

Under Texas law, there are essentially three parts to an activity that could make it illegal gambling: 1) money or anything of value is paid to enter the game; 2) the winners are decided by a game of chance and 3) prizes of value are awarded. If all three of those conditions are met, then the activity may be considered gambling – and illegal.

If the game is free to enter, then prizes of value may be awarded. If an entry fee is charged, then prizes of value may not be awarded. There are some exceptions to this rule, including certain carnival

contests in which prizes with a value of less than \$25 are awarded and mechanical devices for amusement purposes in which prizes with a value of less than \$5 are awarded.

It is legal for individuals to play poker or other casino activities in a private place, defined as “a place to which the public does not have access.” Guests can bet money and win money; however, all money must be redistributed to the participants. The “house” cannot keep a cut.

Organizations or individuals who are considering conducting an event involving charitable raffles, casino games or poker tournaments should contact private legal counsel to determine whether their event complies with the law. Texans may also visit the attorney general's website at www.texasattorneygeneral.gov for answers to frequently asked questions about charitable raffles and casino/poker nights. – July 2010