

insights

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Charities and nonprofits: Don't roll the dice with gambling laws

Are you involved with a charity or nonprofit that raises money by selling raffle tickets or holds poker tournaments or casino nights to fund operations? Although your charity or nonprofit may be using the proceeds to fund programs for the less fortunate (and may ultimately be of tremendous value to society), the activities themselves may be considered illegal gambling in many instances and therefore prohibited by state and federal law. You should make sure that you are familiar with the law and comply with the requirements.

As [mentioned frequently here](#), the basic elements of illegal gambling are consideration, prize and chance. This makes sense - you pay a small amount at the chance for a big payoff. In other words, if it looks and sounds like gambling, it probably is, and unless the activity is expressly permitted or licensed by law, it is illegal (sweepstakes promotions you see advertised by many retailers remove the payment (consideration) element by permitting free entry).

Unfortunately, raffles and poker and casino nights generally need all three elements of illegal gambling to work and raise money: If you allowed people to get free raffle tickets, who is going to pay for them?

Some states, however, expressly permit some forms of raffles and other activities in limited situations. For instance, in Missouri, [the state constitution has been amended](#) to permit "any organization recognized as charitable or religious pursuant to federal law" to "sponsor" "raffles and sweepstakes." These words and phrases all have particular meanings under the law. Frequently, something that may appear to be permitted is not, so please have a qualified lawyer review your promotion before proceeding.

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