Games of Chance

- **OU Policy 435 – Games of Chance**
  - **Types**
    - Bingo
    - Millionaire parties
    - Charity games
    - Raffles
  - **Authorizing Officer**
    - Vice President for UR
  - **Application**
    - Form part of policy 435 on website
    - Complete and return to VP’s office
  - **State Licenses**
    - Very important
    - Timing
Games of Chance

- **Raffles:**
  - You are conducting a raffle if you are charging people or requiring them to donate or provide something of value to participate in a drawing where a prize will be awarded.
    - University Approval
    - Keep separate from gift solicitations
    - Withholding and Reporting Requirements
    - Record Retention
    - House Rules
    - Misconception from Michigan Charitable Gaming Commission
    - Raffle Licenses
Games of Chance

Raffles continued:

- **University Approval** - OU’s Games of Chance Procedures # 435 says:
  - The Vice President for University Relations has been designated as the authorizing officer for all games of chance.
  - The sponsoring group shall complete the OU Application for Game of Chance Approval.
  - Prizes to be obtained through solicitation must be identified in the Application for Game of Chance Approval, along with the names of the possible donors and the value of the prizes.
  - *No acquisition of prizes may occur prior to the authorization of the event.*
OU Game of Chance Approval

From policy #435

Exhibit A

OAKLAND UNIVERSITY
APPLICATION FOR GAME OF CHANCE APPROVAL

1) Type of Game of Chance requested:
2) Reason for request:
3) Name of sponsoring organization:
   Address: ________________________________
   Telephone: ________________________________
4) University Department that will supervise the event:
5) Fund # and subaccount to charge for application fee:
6) Date of event: ________________ 20__
7) For Raffle-Time of Drawing:
8) Location of event:
9) Expected proceeds:
10) Purpose for which proceeds will be used:
11) Probable audience or participants:
12) Prize(s) to be offered:
   1st Prize: ________________________________
   2nd Prize (if applicable): ________________________________
   3rd Prize (if applicable): ________________________________
13) For Raffle-Ticket Price:
14) Aggregate value of prizes:
15) Probable source of prizes (if donated):
16) APPROVALS

Signature and Title of Sponsoring Organization Representative

Signature of Department Head Date

Signature of Vice President Date

Signature of Vice President for University Relations Date
Games of Chance

- Raffles continued:
  - Keep separate from gift solicitations
    - Admission tickets to fundraising events should be sold separately from raffle and/or door prize tickets
      - insures that the OU does not create a situation where attendees lose the ability to deduct a portion of the ticket price as a charitable contribution to the University
  - No portion of a payment made resulting in an opportunity to win a prize (raffle tickets, door prizes, etc.) is a gift. (IRS Rev. Rul. 67-246)
Games of Chance

- **Raffles continued:**
  - **Reporting and Withholding Requirements**
    - Michigan state and local taxes are not imposed upon the recipient of a prize, whether merchandise or money, awarded by a raffle licensee during an event conducted in accordance with the raffle statute and regulations.
    - Federal requirements – see chart on next slide
      - Separate raffle ticket purchase was required
      - Separate raffle ticket purchase was NOT required
      - Value of prize won
      - Employees
    - If the drawing is not properly licensed, the prize would be subject to state income tax.
  - Obtain winner’s SSN if prize is $600 or more.
Table No. 1 -- Reporting and Withholding Requirements for Raffles, Door Prizes, Lotteries and Other Drawings *(Ticket Purchase Required)*

<table>
<thead>
<tr>
<th>Prize Value – Reduced by Ticket Price</th>
<th>University's Reporting Obligations</th>
<th>University's Regular Withholding Obligations</th>
<th>University's Backup Withholding Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$599 or less</td>
<td>None*</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>$600 - $4,999</td>
<td>File Form W2-G if prize value more than 300 times ticket price*</td>
<td>None</td>
<td>Withhold 28% if no valid Social Security Number</td>
</tr>
<tr>
<td>$5,000 or more</td>
<td>File Form W2-G*</td>
<td>Withhold 25% for cash prizes and 25% or 33.33% for non-cash prizes**</td>
<td>Withhold 28% if no valid Social Security Number</td>
</tr>
</tbody>
</table>

*The taxpayer should complete an IRS Form 5754, Statement by Person(s) Receiving Gambling Winnings, before receiving the prize.*

*Withholding rates may change, and special rules apply to withholding for non-cash prizes, so all withholding rates should be verified with Oakland University's Assistant Vice President for Finance/Controller at the time of withholding.*

**Employees – All cash, gift certificates, gift cards and other cash equivalents, and all non-cash items valued at $75 or more, awarded to an employee where a ticket purchase is not required are reported on the employee’s Form W-2. All cash and non-cash items awarded to an employee where a ticket purchase is required are reported on Form W-2G in accordance with the rules set forth in these tables.*
Games of Chance

- **Raffles continued:**
  - **Reporting Requirements**
    - Large Raffles (*total value of all prizes awarded in one day is $500 or more*)
      - Financial statement required
    - Small Raffles (*total value of all prizes awarded in one day is less than $500*)
      - No financial statement required
  - **Record Retention** (*large and small raffles*)
    - Must be maintained for the current year plus three years
    - A list of winners of prizes valued over $100 must be retained and made available to public upon written request.
    - Raffle ticket stubs must be retained until all prizes have been awarded.
Raffle Financial Statement and URL:

Raffle Ticket Accountability Form and URL:

<table>
<thead>
<tr>
<th>Organization Name</th>
<th>Recordkeeper</th>
<th>Organization ID Number</th>
<th>License Number</th>
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</table>

<table>
<thead>
<tr>
<th>Date Tickets Issued for Sale</th>
<th>Ticket Seller's Name</th>
<th>Tickets Issued For Sale</th>
<th>Tickets or Stubs Returned</th>
<th># of Tickets or Stubs Not Returned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td># From</td>
<td># Through</td>
<td># of Tickets</td>
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</table>

Totals:

Games of Chance

- **Raffles continued:**
  - **House Rules**
    - The licensee shall post the house rules in a conspicuous place or print the house rules in sufficient number for distribution to all interested persons.
Games of Chance

House rules – Rule 510 from State of Michigan Raffle Rules

• The licensee shall establish and adhere to its house rules for the conduct of the raffle. At a minimum, the house rules shall contain all of the following information:
  • The licensee's name.
  • The license number.
  • The price of the raffle ticket.
  • The method by which the winners will be determined and the raffle will be conducted.
  • The contingency plan for inclement weather or other extenuating circumstances if the raffle or alternative raffle cannot be conducted as planned.
  • The redemption claim period for charity game tickets as prescribed by R 432.21611(1)(c).
  • The redemption claim period for numeral game tickets as prescribed by R 432.21709(1)(e).
  • The refund policy.
  • The effective date of the house rules.

• The licensee shall post the house rules in a conspicuous place or print the house rules in sufficient number for distribution to all interested persons.

• The house rules shall not be in conflict with the act, these rules, or directives of the bureau.
1) The following Official Rules apply to the Oakland University Alumni Association’s (“OUAA”) 2006 Raffle (“Raffle”) and are effective as of June 1, 2006. The Raffle is being conducted pursuant to the State of Michigan, Charitable Gaming Division, Large Raffle License No. R86431.

2) Raffle tickets (“Tickets”) will be available for purchase from the OUAA between June 1, 2006 and August 23, 2006 at a cost of $25.00 per Ticket. Tickets are not transferable.

3) Tickets will only be sold to persons who are 18 years of age or older. OUAA staff and their immediate family members are not eligible to participate in the Raffle.

4) Odds of winning depend upon the number of Tickets sold.

5) The OUAA will randomly draw three winning Tickets at 6:30 p.m. on August 23, 2006 at the Upper Deck Lounge in Comerica Park, Detroit, Michigan. The following three prizes will be awarded: First Prize - $2,000 Travel Voucher provided by Go Next Travel; Second Prize - VISA gift card provided by Liberty Mutual; and Third Prize - $500 SuperCertificate gift card provided by Stevens Worldwide Van Lines. Only one prize will be awarded per person. Ticket holders do not have to be present to win. If the drawing cannot be completed for any reason on August 23, 2006, then the OUAA will conduct the drawing at 10:00 a.m. on August 24, 2006 at the John Dodge House, Oakland University, Rochester, Michigan 48309.

6) The OUAA will notify winners by telephone or first class mail by September 8, 2006. Winners must contact the OUAA to claim their prize within 60 days of the date of the OUAA’s notification or the prize will be forfeited and an alternate winner will be randomly selected from the original pool of Tickets.

7) Winners will pay all applicable local, state and federal taxes.

8) No substitution or transfer of prizes is permitted.

9) Winners consent to the OUAA’s and/or Oakland University’s use of their name, photograph and/or likeness for publicity or advertising purposes without further compensation.

10) All participants in the Raffle release the OUAA, Oakland University and each of their trustees, directors, officers, employees, students, alumni, agents and representatives, and all others associated with the development and execution of this Raffle, from any and all liability with respect to, or in any way arising from, this Raffle and/or acceptance or use of any prize, including without limitation liability for personal injury, damages, death or monetary loss.

11) The OUAA and/or Oakland University are not responsible for lost, stolen, late, incomplete, mutilated, illegible or misdirected Tickets. The OUAA reserves the right in its sole and absolute discretion to disqualify any individual who tampers with the Raffle process, and/or to cancel, terminate, modify or suspend the Raffle, if the OUAA determines that a person or event has corrupted or affected the administration, security, fairness, integrity or proper conduct of the Raffle.

12) By entering this Raffle, participants acknowledge that they have reviewed and understand the Official Rules, agree to be bound by the Official Rules and agree to abide by the OUAA’s decisions which will be final, binding and conclusive on all matters relating to the Raffle.

13) Michigan law will govern the Raffle and Michigan will be the forum for any proceeding or suit at law or in equity arising from or incident to the Raffle.

14) Void where prohibited by law.

15) The OUAA reserves the right to modify or amend the Official Rules at any time to comply with applicable legal requirements, including without limitation gaming or lottery statutes, rules or regulations.

16) The Official Rules will govern in the event of a conflict between the Official Rules and any other marketing, advertising, promotions or other information relating to the Raffle.
Games of Chance

- **Raffles continued:**
  - Misconception from Michigan Charitable Gaming Commission
    - “We are only giving away door prizes; we aren’t conducting a raffle.”
      - If people are being charged to attend a function where (door) prizes will be awarded through a drawing, then you are conducting a raffle.
      - How many times are there door prizes valued at $600 or more?
Games of Chance

• **Raffles continued:**
  – **Licenses**
    • **Small raffle license** – required when the total prize value for all raffle prizes is $500 or less in a single day.
    • **Large raffle license** - required when the total prize value for all raffle prizes is more than $500 in a single day.
    • **Can apply for as many licenses** as you want up to 18 months in advance of the drawing date.
    • **No License required if:**
      – the raffle is held at a single gathering and
      – no tickets are sold prior to the gathering and
      – the total value of all prizes is $100 or less
    • If there is no “consideration” (e.g. money exchanged) for the drawing, it is not a raffle and no license is required. However, there could still be withholding requirements.
Games of Chance

- **Raffles continued:**
  - **Plan Ahead**
    - It takes 4 weeks to obtain a raffle license from the state
  - **State of Michigan Raffle Guide**
  - **FYI**
    - Games of skill (e.g. guessing # of marbles in a fishbowl or closest to pin putting contest) are not considered games of chance and do not need licenses.
      - However, check with local authorities for special rules. Rochester Hills has no ordinance.