

COMPLIANCE ALERT

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Compliance Problem

We have found that non-profit organizations are being contacted by businesses that offer to put on Charitable Gaming nights for the organization if the organization will obtain a Charitable Games license. Illinois law allows charity gaming as a fundraiser for religious, charitable, educational, veterans', fraternal, or labor organizations which conduct the event themselves. It does not allow the license holder to contract with another party to run the Charitable Gaming event and share in the proceeds. The licensee must do the work and only the licensee can benefit from the proceeds of the charity gaming.

Solution

- 1 — The licensed organization (the organization holding the Charitable Games License) must run, manage and operate the charitable games event.
- 2 — Volunteers can be recruited only by the licensed organization. Volunteers must:
 - receive no pay or compensation, directly or indirectly (this includes tips).
 - participate as a volunteer in no more than four (4) charitable games events per calendar year. The volunteers must provide their name, address, social security number and date of birth.
- 3 — The management and operation of the event must be conducted only by members of the licensed organization, employees of the licensed organization or a volunteer recruited by the licensed organization. Activities that constitute "management or operation" of a charitable games event include:
 - selling admission tickets
 - selling or redeeming chips or play money or assisting in these activities
 - participating in the conducting of any game played during the event. This includes dealing and/or acting as "pit boss".
 - supervising, directing, or instructing anyone conducting a game
 - counting or handling any of the proceeds, chips or play money at the event or supervising anyone doing so
 - ensuring that the games are being conducted according to rules established by the organization
- 4 — No officer, employee or owner of a consultant service hired by the charitable games licensee may participate in the management or operation of a charitable games event under any circumstance.
- 5 — No officer, employee or owner of a charitable games supplier or provider may participate in the management or operation of a charitable games event under any circumstance. Charitable games suppliers and providers are also prohibited from promoting or soliciting on behalf of a charitable games licensee. Suppliers may have one representative present at the charitable games event to ensure their equipment is not damaged and is functioning properly.

- 6 — Cash prizes are limited. A participant of a charitable games event may not exchange chips or play money for cash prizes exceeding \$250. Gift cards that have wide-scale acceptance (*ex.* Visa gift cards) are considered cash prizes. There is no limit on the amount of non-cash prizes.

Background

The Charitable Gaming Act allows non-profit religious, charitable, educational, veterans', fraternal, or labor organizations to hold these events as fundraisers. It does not allow the Charitable Games licensee to contract with another entity to operate the event for a share of the proceeds. When our agents identify violations, the Charitable Games licensee will be subject to penalties, fines, and possibly criminal charges.

Where can I get more information?

The Illinois Department of Revenue has published several resources to assist taxpayers. Some suggestions of items you might wish to research or read include:

- ✓ General Inquiry Letters,
- ✓ Legal Letter Rulings,
- ✓ Informational Bulletins, and
- ✓ Publications.

To view this information, visit our web site at tax.illinois.gov.