



ARCHDIOCESE OF INDIANAPOLIS

The Church in Central and Southern Indiana

Office of the Vicar General

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December 15, 2020

Dear Priests, PLCs, Principals, Agency Directors and Business Managers,

Included with this letter are the new Archdiocesan Gaming Directives. In July of 2019 new charity gaming laws came into effect in Indiana. The Archdiocese offered a series of workshops to update individuals on the changes brought about by that legislation. In addition, we drafted the Archdiocesan Gaming Directives, reflecting the new legislation, as a resource to assist you in being compliant with the law. These directives replace our former Archdiocese of Indianapolis Gaming Policy. Please share these directives with individuals who organize and run gaming activities on behalf of your parish, school or agency. If you need assistance in implementing these directives, please contact Erich - Bangert in the Finance Department at 317-236-1432 or at ebangert@archindy.org.

In Christ's peace,

Monsignor William Stumpf

Monsignor William Stumpf

Vicar General and Moderator of the Curia

Archdiocese of Indianapolis

CHARITABLE GAMING DIRECTIVE THE ARCHDIOCESE OF INDIANAPOLIS

A. LICENSE TYPES AND RELATED ACTIVITIES

Gambling is illegal in Indiana unless it is conducted by "qualified organizations", i.e., churches, schools, and other organizations listed in the law. Qualified organizations may engage in certain types of gambling as a fund-raising activity but only for the lawful purposes of the organization and only in the county where the organization is located. The Indiana Gaming Commission is vested with the authority to enforce compliance with the charity gaming laws.

Parishes, schools and agencies of the Archdiocese of Indianapolis qualify as "Bona fide charitable organization" which is an organization operating in Indiana that is not for pecuniary profit and is exempt from federal income taxation under Section 501(c) of the Internal Revenue Code. Before any charitable gaming activities may be undertaken the entity must apply for a gaming license:

1. LIMITED ACTIVITY. A qualified organization is not required to obtain a license from the commission if the value of all prizes awarded at the allowable activity does not exceed two thousand five hundred dollars (\$2,500) for a single activity and not more than seven thousand five hundred dollars (\$7,500) during a calendar charitable year.

2. ANNUAL ACTIVITY. A qualified organization that plans to hold an allowable activity described in preceding paragraph (a) more than one (1) time a year shall send an annual written notice to the commission informing the commission of the following:

(1) The estimated frequency of the planned allowable activities.

(2) The location or locations where the qualified organization plans to hold the allowable activities.

(3) The estimated value of all prizes awarded at each allowable activity.

(c) The notice required under subsection (b) must be filed not later than thirty (30) days before the qualified organization holds the first allowable activity of the year.

(d) A qualified organization that conducts an allowable activity described in subsection (a) shall maintain accurate records of all financial transactions of the activity. The commission may inspect records kept in compliance with this section.

3. APPLICATION. Each qualified organization applying for a license under this chapter must submit to the commission a written application on a form prescribed by the commission. The application shall be signed and approved by the organization's chief operating officer, i.e. pastor, administrator, PLC, president, or agency director.

The application must include the information that the commission requires, including the following:

- (1) The name and address of the organization.
- (2) The names and addresses of the officers of the organization.
- (3) The type of activity the organization proposes to conduct.
- (4) The location where the organization will conduct the allowable activity.
- (5) The dates and times for the proposed allowable activity.
- (6) Any other information considered necessary by the commission.

4. ANNUAL ACTIVITY LICENSE. The commission may issue an **Annual Activity License** to a qualified organization if the qualified organization:

- (1) meets the requirements of the activity license;
- (2) submits an application; and
- (3) pays a fee set by the commission.

5. ALLOWABLE ACTIVITIES. The following information must be included in an annual activity license:

- (1) Whether the qualified organization is authorized to conduct bingo, pull tabs, punchboards, tip boards, or raffle activities (“Bingo Night Activities”) on more than one (1) occasion during a one (1) year period.
- (2) The location of the allowable activities.
- (3) The expiration date of the license.

6. CASINO GAME NIGHT ACTIVITIES. Casino Game Night means an event in which wagers are placed upon the following permitted games of chance through the use of imitation money:

- (1) A card game approved by the commission.
- (2) A dice game approved by the commission.
- (3) A roulette wheel approved by the commission.
- (4) A spindle approved by the commission.

A qualified organization may conduct casino game night activities under an Annual Activity License, provided the facility or location is not to be used for purposes of conducting an annual casino game night activity on more than three (3) calendar days per calendar week regardless of the number of qualified organizations conducting annual casino night activities at the facility or location.

7. SINGLE ACTIVITY LICENSE. The commission may issue a Single Activity License to a qualified organization if the qualified organization:

- 1) submits an application; and

(2) pays the required fees under IC 4-32.3-6.

A Single Activity License may authorize: (a) bingo; (b) sale of pull tabs, punchboards, and tip boards; (c) a casino game night; or (d) a raffle at one (1) specific time and location.

8. FESTIVAL LICENSE. The commission may issue a festival license to a qualified organization if the qualified organization:

(1) submits an application; and

(2) pays the required fees under IC 4-32.3-6.

(3) the Festival License may authorize the qualified organization to conduct: (a) bingo events; (b) casino game nights; (c) raffles; and to sell: (i) pull tabs; (ii) punchboards; and (iii) tip boards.

(4) The license must state the location and the dates the activities may be conducted.

(5) A festival cannot exceed five (5) consecutive days.

(6) A qualified organization may apply for up to three (3) festival licenses each calendar year.

(7) Festival licenses may not be used consecutively.

9. PRIZES.

(1) The prize for: (1) one (1) bingo game may not have a value of more than one thousand dollars (\$1,000); and

(2) a progressive bingo game may not have a value of more than two thousand dollars (\$2,000).

(3) Except as provided in subsection (4), the total prizes permitted at one (1) bingo event may not have a value of more than six thousand dollars (\$6,000).

(4) The commission may, by express authorization, allow any qualified organization to conduct two (2) bingo events each year at which the total prizes for each event may not exceed ten thousand dollars (\$10,000). Bingo events authorized under this subsection may be conducted at a festival.

(5) The proceeds of the sale of pull tabs, punchboards, and tip boards are not included in the total prize limit at a bingo event. However, the total prizes awarded for one (1) pull tab, punchboard, or tip board game may not exceed ten thousand dollars (\$10,000).

(6) A single prize awarded: (1) for one (1) winning ticket in a pull tab, punchboard, or tip board game may not exceed five hundred ninety-nine dollars (\$599); in a game using a seal card may not exceed one thousand dollars (\$1,000); and in a progressive or carryover pull tab game may not exceed five thousand dollars (\$5,000).

(7) The selling price for one (1) ticket for a pull tab, punchboard, or tip board game may not exceed one dollar (\$1).

B. CONDUCT OF ALLOWABLE EVENTS

1. **OPERATOR.** For each allowable activity conducted under this article, a qualified organization shall designate an individual to serve as the Operator of the allowable activity.

A. For purposes of this section, an operator is considered to be a member in good standing of the qualified organization if: (a) the operator is over the age of 18 years and an Indiana resident; (b) the operator has been a member in good standing of a bona fide national organization that is related to the bona fide national foundation for at least sixty (60) days; and (c) the operator's authority to serve as an operator for the qualified organization has been acknowledged by the qualified organization on a form prescribed by the commission.

B. An operator must be a member in good standing of the qualified organization that is conducting the allowable activity for at least six (6) months at the time of the allowable activity.

C. An operator or a worker may not be a person who has been convicted of or entered a plea of nolo contendere to a felony committed in the preceding ten (10) years, regardless of the adjudication, unless the commission determines that:

(a) the person has been pardoned or the person's civil rights have been restored; or

(b) after the conviction or entry of the plea, the person has engaged in the kind of good citizenship that would reflect well upon the integrity of the qualified organization and the commission.

Except as provided in _____, an operator or a worker may not directly or indirectly participate, other than in a capacity as an operator or a worker, in an allowable activity that the operator or worker is conducting.

2. **WORKER.** For purposes of this section, an individual is considered to be a member in good standing of the qualified organization if: (a) the individual operator is over the age of 18 years and an Indiana resident; (b) the individual has been a member in good standing of a bona fide national organization that is related to the bona fide national foundation for at least thirty (30) days; and (c) the individual's authority to serve as a worker for the qualified organization has been acknowledged by the qualified organization on a form prescribed by the commission.

A. A qualified organization may allow an individual who is not a member of the qualified organization to participate in an allowable activity as a Worker if the individual is a full-time employee of the qualified organization that is conducting the allowable activity; or if: (a) the individual is a member of another qualified organization; and (b) the individual's participation is approved by the commission.

B. A worker at a bingo event duty is limited to: (a) selling bingo supplies; (b) selling tickets for a raffle conducted at the bingo event.

C. Except as provided in herein, an operator or a worker may not directly or indirectly participate, other than in a capacity as an operator or a worker, in an allowable activity that the operator or worker is conducting.

C. A Worker who has completed all of the worker's duties before the start of the first bingo game of the bingo event; and who is not engaged as a worker at any other time during the bingo event; may participate as a player in any gaming activity offered at the bingo event following the completion of the worker's duties at the bingo event.

D. A worker at a raffle conducted by a qualified organization holding an annual activity license may purchase a raffle ticket for a particular drawing at the raffle unless: (a) the worker personally sold tickets for; or (b) the worker otherwise personally participated in the conduct of; that particular drawing.

E. A worker at a festival event may participate as a player in any gaming activity offered at the festival event except as follows: (a) A worker may not participate in any game during the time in which the worker is conducting or helping to conduct the game.

F. A worker who conducts or helps to conduct a pull tab, punchboard, or tip board event during a festival event may not participate as a player in a pull tab, punchboard, or tip board event conducted on the same calendar day.

G. On adults can play and participate (organize, handle money, file reports, sell tickets). Minors under 18 year can ONLY sell raffle tickets, but cannot otherwise buy raffle tickets, organize an event, handle money or file reports.

3. REMUNERATION. Except as provided in subsection (A) or (B), an operator, a worker, or a volunteer ticket agent who is not a full-time employee may not receive remuneration for: (a) conducting; or (b) assisting in conducting an allowable activity.

A. A qualified organization that conducts an allowable activity may: (a) provide meals for the operators and workers during the allowable event; and (b) provide recognition dinners and social events for the operators and workers if the value of the meals and social events does not constitute a significant inducement to participate in the conduct of the allowable activity.

B. In the case of a qualified organization selling pull tabs, punchboards, or tip boards under an annual activity license, any employee of the qualified organization may: (a) participate in the sale and redemption of pull tabs, punchboards, or tip boards on the premises of the qualified organization; and (b) receive the remuneration ordinarily provided to the employee in the course of the employee's employment.

C. No Operator, Worker, or volunteer ticket agent may receive tips or any payment from any source including patrons.

D. Consistent with the Work in Lieu of Tuition Payments policy, no Operator, Worker, or volunteer ticket agent may receive any credits toward tuition or otherwise be required to work as a volunteer to receive tuition discounts.

4. **CREDIT.** Subject to subsection A, a qualified organization may accept credit cards at an allowable activity for the purchase of (a) food and beverages; (b) merchandise; and (c) retail goods and services offered at a benefit auction.

A. A qualified organization may not accept credit cards or extend credit to a player for the purchase of: (a) a chance to play any game of chance offered at an allowable activity; or (b) licensed supplies.

5. **REPORTING WINNINGS.** If a qualified organization is required to report a patron's gambling winnings to the Internal Revenue Service for federal income tax purposes, the winning patron shall provide the qualified organization with the information necessary to comply with all applicable state and federal tax laws.

6. **NO SUB-CONTRACTING.** A qualified organization may not contract or otherwise enter into an agreement with an individual, a corporation, a partnership, a limited liability company, or other association to conduct an allowable activity for the benefit of the organization. A qualified organization shall use only operators and workers meeting the requirements of this chapter to manage and conduct an allowable activity.

7. **PATRON INFORMATION.** 68 IAC 21-3-2. A prize of two hundred fifty dollars (\$250) or more may not be awarded to a winner of a pull tab, punchboard, or tip board game unless:

(1) the winner provides the winner's printed name, signature, and date of birth to the qualified organization conducting the pull tab, punchboard, or tip board game; and

(2) the qualified organization verifies the identity of the prize winner using any reasonable means the qualified organization considers necessary.

- If a qualified organization is required to report a patron's gambling winnings to the Internal Revenue Service for federal income tax purposes, the winning patron shall provide the qualified organization with the information necessary to comply with all applicable state and federal tax laws.

8. **NO TIPPING SIGN.** 68 Ind. Admin. Code 21-3-2. A sign printed with a font size legible from a distance of at least ten (10) feet must be prominently posted near each entrance and registration area throughout the event stating that the operators and workers are not allowed to accept tips.

9. **SECURITY.** 68 Ind. Admin. Code 21-3-2(k). Security for an event shall be provided by nonmember Indiana law enforcement officers or private detectives properly licensed in Indiana. An organization may employ not more than three (3) nonmember Indiana law enforcement officers or private detectives properly licensed in Indiana to perform security services during an allowable event.

10. **DISPOSAL OF GAMING SUPPLIES.** 68 Ind. Admin. Code 21-3-2(m). An organization may dispose of unused bingo supplies, punchboards, pull-tabs, tip boards, and other

licensed supplies specified by the commission by shredding, burning, or otherwise destroying them. The organization must notify the commission that such items are to be destroyed thirty (30) days in advance of the destruction and must provide the following information:

- (1) The date the items will be destroyed.
- (2) The manner of destruction.
- (3) A description of the items to be destroyed.
- (4) The quantity of the items to be destroyed.
- (5) The serial numbers of the items to be destroyed.
- (6) The trade name of the items.
- (7) The reason for destruction.

- Destruction of unused licensed supplies must be certified by one (1) officer of the qualified organization on a form prescribed by the commission.

13. LOST OR DESTROYED GAMING SUPPLIES. 68 Ind. Admin. Code 21-3-2(n). If an organization has lost licensed supplies through theft, fire, flood, or other disaster, the organization must notify the commission in writing of the loss and provide the following information within ten (10) days of discovering the loss:

- (1) The date the items were lost.
- (2) The manner of loss and a description of the items lost.
- (3) The serial numbers of the items lost.
- (4) The trade name of the items.
- (5) Copies of all insurance forms submitted for the loss.
- (6) Police or fire department reports created in connection to the loss.
- (7) Other information required by the commission or the executive director.

14. GAMING PROCEEDS. 68 Ind. Admin. Code 21-3-2(z). An organization must deposit gaming proceeds from an allowable event into its separate and segregated checking account within five (5) business days after the conclusion of the event. Monies deposited into the separate and segregated checking account must not be transferred into another account.

15. RESTRICTIONS APPLICABLE TO ALL EVENTS.

1. A qualified organization cannot agree to let a third party conduct an allowable event for the qualified organization
2. A qualified organization must conduct allowable events only with its own parish, school or agency members.
3. All bingo cards and supplies and PPTs must be purchased from entities licensed by IGC.
4. If a qualified organization rents the space where an allowable event is held, the rent paid may not be based on a percentage.
5. If a qualified organization rents the equipment, the rent paid may not be based on a percentage.

6. A qualified organization must conduct allowable events only in the county of the organization's principal office.
7. No gaming proceeds may inure to the private benefit of any individual persons. Licensed gaming proceeds must be used by the by the parish, school, or archdiocesan agency for bona fide church purposes.
8. All licensed charitable gambling must be held on property owned or leased by the qualified organization.
9. No gaming activities may be conducted over the internet. Allowable gaming activity may only be marketed via the internet. (Virtual auctions, which do not constitute gaming activity, may be held on-line via the internet.

C. RECORDS OF QUALIFIED ORGANIZATION

1. FINANCIAL RECORDS. A qualified organization that conducts an allowable activity described in subsection (a) shall maintain accurate records of all financial transactions of the activity. The commission may inspect records kept in compliance with this section and obtain full access to all financial records of the entity upon request. A qualified organization must maintain records of all financial aspects of each allowable event for a period of not less than 3 years.

2. BANK RECORDS. The organization must set up a separate and segregated checking account to account for the proceeds and expenditures of the allowable event.

3. CASH RECEIPTS. All goods sold, including doobers, concessions and other merchandise shall be sold through a cash register or other point of service device that provides a receipt and stores the sales data.

D. BINGO ACCOUNTABILITY

1. INVENTORY CONTROLS. Strict inventory controls shall be implemented for bingo cards and packets, to include the recording of the serial numbers of all game cards sold, including bingo and pull tab cards.

2. FREE BINGO PACKS. In the event that free bingo packets are provided to players, the name and address of the recipient of the free packets shall be recorded and maintained as a record.

3. BINGO PRIZE SHEET. A bingo prize sheet listing the games to be played at an event and the prize amount for each game shall be made available to players. Prize payouts should not vary from night to night without an explanation for any changes. The prize sheet shall be maintained as a bingo record.

4. CHANGES TO PRIZE SHEET. The operators shall establish an attendance parameter where if attendance falls below the parameter, the total prizes will be reduced by an established percentage. For example, if the attendance parameter is 100 players and only 70 players attend, then the prize amount will be reduced by a pre-established value not greater than 10%. Prize payouts should never be increased over the amounts listed on the prize sheets.

5. BINGO PAYOUTS. For each bingo game played the operators shall record that name of the game played and the amount of the payout. If a player receives total payouts of more than \$600 during a single event, the operators shall record the name, address and Tax Identification Number (TIN). For an individual, this will be the social security number (SSN). As verification of the name, address, and TIN of the person receiving the winnings, must enter the identification numbers from a driver's license, social security card, voter registration or government issued identification card. (If the winner of reportable gambling winnings does not provide a TIN, the operators is to withhold at the rate of 28% on any such winnings). Withholdings will be reported on the Event Summary Report. ("ESR").

D. PULL TAB ACCOUNTABILITY

1. INVENTORY CONTROLS. Strict inventory controls shall be implemented for all pull tabs, to include the recording of the serial numbers of all on the Bingo Event Summary Report ("ESR"). (State Form 54736). Serial numbers should be recorded during the game as the games are played.

2. FREE PULL TABS. No free pull tabs are permitted. All pull tab prizes shall be paid in cash.

3. PULL TAB PAYOUTS. For each pull tab game played the operators shall record that name of the game played and the amount of the payout. If a player receives total payouts of more than \$600 during any event, the operators shall record the name, address and Tax Identification Number (TIN). For an individual, this will be the social security number (SSN). As verification of the name, address, and TIN of the person receiving the winnings, enter the identification numbers from a driver's license, social security card, voter registration or other government issued identification card. (If the winner of reportable gambling winnings does not provide a TIN or SSN, you must withhold at the rate of 28% on any such winnings). Payouts shall be made according to the directions set forth on the reverse side of the pull tab.

4. PROGRESSIVE AND JACKPOT GAMES. For progressive and jackpot games, the Operators shall identify and record games where there is not a jackpot winner. If there are amounts not paid that roll over to another game, each payout not paid out shall be recorded. Progressive and jackpot games end at the end of each event and may not roll over to another event. (If there are no payouts on progressive or jackpot games, the operators shall make a notation on the ESR).

5. EVENT SUMMARY REPORTS. Event Summary Reports ("ESR") shall be completed in full for each event. At least three operators shall be familiar with the preparation of the ESR. The operators shall rotate the responsibility for preparation of the ESR. All operators at each event shall sign the ESR and the conclusion of the event.

6. PULL TAB GAMES. No pull tab board shall be opened until all pull tabs for the game are sold. When calling a winner, the worker or operator will make an announcement that the winners are to be called. The worker or operator will then in front to the players open the pull tab and announce the winning numbers. No worker or operator may participate in pull tab games.

E. OTHER GAMES AND CONCESSION ACCOUNTABILITY.

1. OTHER GAMES. The operators shall report on the ESR the names and address of all winners of the following:

- Raffle drawings
- Door prize drawings
- Cookie jar; Hot number, Hot ball or Pickle jar

In the event there is no winner of the games and no payout is made, the ESR shall reflect that the game was played but no payouts were made. Any amounts that roll over to the next event shall be noted on the ESR.

2. ALCOHOL AS A PRIZE: A qualified organization may award alcohol as a prize at an allowable event if the requirements. (I.C. 7.1-3-6.1, I.C. 4-32.2-4-13.5.

(1) A qualified organization that holds a charity gaming license may award alcohol as a prize at an allowable event without obtaining an alcoholic beverage permit, provided:

- Alcohol must have been purchased by the organization or donated to the organization;
- be in sealed bottles or cases; and
- be provided for consumption off the premises only.

(2) The winner must be present at the event to receive an alcoholic beverage prize, and must be given the alcoholic beverage prize in person by an individual designated by the qualified organization.

(3) The individual designated by the qualified organization to award an alcoholic beverage prize must be at least twentyone (21) years of age, but does not need to hold a bartender's permit.

(4) When giving away the alcoholic beverage prize, the designated individual shall comply with Ind. Code 7.1-5- 10-15; Ind. Code 7.1-5-10-23; and any other provision of Ind. Code 7.1 that applies to the furnishing of alcoholic beverages for consumption off the premises. Ind. Code 7.1- 3-6.1(6)(c).

(5) An allowable event which awards an alcoholic beverage as a prize may be conducted on premises that are not otherwise licensed for the sale of alcoholic beverages.

3. CONCESSION SALES. The right to provide concessions and sale of merchandise is a right owned by the qualified organization. This right may not be offered to any private person or

organization, other than a tax-exempt organization. The qualified organization may provide its own concession operations. Separate financial reports shall be maintained for concession sales.

4. OVERSIGHT BY FINANCE COUNCIL. All gaming activities shall be reported to the Finance Council. A least quarterly, a report of the gaming activities shall be presented to the Finance Council. The Finance Committee shall apply this policy in supervising the organization's gaming activities.

F. IRS REPORTING REQUIREMENTS.

1. REPORTING RAFFLE PRIZES. Generally, a qualified organization must report raffle prizes if (a) the amount paid reduced by the wager (the amount a person paid for the chance to win a prize), is \$600 or more; and (b) the payout is at least 300 times the amount of the wager. The organization uses Form W-2G for this report.

Example 1: Wendy purchased a \$1 ticket for a raffle conducted by X, an exempt organization. On October 31, 2004, the drawing was held and Wendy won \$900. X must file Form W-2G with the IRS and give a copy of Form W-2G to Wendy.

A person receiving gambling winnings must furnish the exempt organization a statement on Form 5754 made under penalties of perjury stating his or her identity and the identity of any others entitled to the winnings (and their shares of the winnings.) When the person receiving winnings is not the actual winner, or is a member of a group of two or more winners on a single ticket, the recipient must furnish the exempt organization information listed on Form 5754, Statement by Person(s) Receiving Gambling Winnings, and the organization must file Forms W-2G based on that information.

The exempt organization must file Forms W-2G with the IRS by the last day of February of the year after the year of the raffle. Use Form 1096, Annual Summary and Transmittal of U.S. Information Returns, to transmit Forms W-2G to the IRS. The organization must also issue Forms W-2G to prize recipients by January 31 of the year after the year of the raffle.

2. WITHHOLDING TAX ON RAFFLE PRIZES AND REGULAR GAMBLING WITHHOLDING: An organization that pays raffle prizes must withhold 25% from the winnings and report this amount to the IRS on Form W-2G. This regular gambling withholding applies to winnings of more than \$5,000. If the organization fails to withhold correctly, it is liable for the tax.

Example 2: Lou purchased a \$1 ticket for a raffle conducted by X, a qualified organization. On October 31, 2004, the drawing was held and Lou won \$6,000. Because the proceeds from the wager are greater than \$5,000 (\$6,000 prize minus \$1 ticket cost), X must withhold \$1,499.75 (\$5,999 x 25%) from Lou's winnings. If X fails to withhold \$1,499.75 before distributing the prize, X is liable for the withholding tax.

3. BACKUP WITHHOLDING: An organization is required to withhold 28 percent of the total proceeds if (1) the prize is otherwise subject to reporting (i.e., the amount of the prize, less the amount wagered, is \$600 or more and 300 times the amount of the wager), and (2) the winner fails to furnish a correct taxpayer identification number (social security number, individual taxpayer identification number, or employer identification number).

4. NONCASH PRIZES: For noncash prizes, the winner must pay the organization 25% of the fair market value of the prize minus the amount of the wager.

Example 3: Jason purchased a \$1 ticket for a raffle conducted by X, a qualified organization. On October 31, 2004, the drawing was held and Jason won a car worth \$10,000 (fair market value). Because the prize exceeds \$5,000 and the fair market value of the car is \$10,000, the tax on the fair market value of the prize is \$2,499.75 [(\$10,000 minus \$1 ticket cost) x 25%]. Jason must pay \$2,499.75 to X to remit to the IRS on his (Jason's) behalf. X would indicate the fair market value of the prize (\$10,000) in box 1 and the amount of the withholding tax paid (\$2,499.75) in box 2 on Form W-2G. **Organization Pays Withholding Tax:** If the organization, as part of the prize, pays the taxes required to be withheld, it must pay tax not only on the fair market value of the prize less the wager, but also on the taxes it pays on behalf of the winner. This results in a grossed up prize requiring the use of an algebraic formula. Under this formula, the organization must pay withholding tax of 33.33% of the prize's fair market value. The organization reports the grossed up amount of the prize (fair market value of prize plus amount of taxes paid on behalf of winner) in box 1 of Form W-2G, and the withholding tax in box 2 of Form W-2G.

Example 4: If in Example 3, X pays the withholding tax on Jason's behalf, the withholding tax is \$3,332.67 [(\$10,000 fair market value of prize minus \$1 ticket cost) x 33.33%]. X must report \$13,333 as the gross winnings in box 1 of Form W-2G, and \$3,334.67 withholding tax in box 2.

5. REPORTING AND PAYING TAX TO THE IRS. The organization must use Form 945, Annual Return of Withheld Federal Income Tax, to report and send withheld amounts to the IRS. This is NOT the same form used to report Federal income tax withheld and FICA with respect to employees. Form 945 is an annual return, and is due January 31 of the year after the year in which the taxes were withheld (for example, for taxes withheld in 2004, the return would be due January 31, 2005). Separate tax deposits are required for payroll and non-payroll withholding. Be sure to mark the Form 945 checkbox on Form 8109, the Federal tax deposit coupon. The organization must list the EIN (employer identification number) of the organization conducting the raffle on Forms W-2G, 1096, and 945.

G. ILLEGAL ACTIVITIES AND PENALTIES

All other forms of gambling are still illegal in Indiana, including the following:

1. **Illegal Activities.** Bookmaking, Slot machines, One-ball machine, Pinball machines that award anything other than an immediate and unrecorded right of replay, A policy or numbers game or A banking or percentage game played with cards or counters, including the acceptance of a fixed share of the stakes in a game, are illegal.

H. SALES TAX.

Churches must collect the Indiana sales tax on the sale of food and other goods. If a qualified organization sells goods, or food and drink, for more than thirty days per calendar year, the organization must collect the Indiana sales tax on the sales and remit that tax to the Indiana Department of Revenue.

It is common practice for churches to open their kitchens and sell food, snacks and refreshments at bingo nights and other gaming events. These sales are subject to the Indiana sales tax. The sale of all goods is subject to the tax except the sale of religious items, such as prayer books, Bibles, rosaries, and religious education materials.

If the organization does not conduct taxable sales for more than thirty days per year, the sales are exempt under the "thirty-day test". Keep in mind, however, that sales by all your parish organizations must be tacked together in calculating the thirty-day exemption.

I. CONCESSION SALES: 68 Ind. Admin. Code 21-5-1 provides that "a qualified organization shall not enter into a formal or informal agreement relating to... concessions with a person affiliated with that organization. Such affiliations include, but are not limited to, members, officers, directors, or members of their family." Therefore, concession operations should be for the benefit of the parish or other charitable organization designated by the parish. No operator, worker, parish members or family members may receive direct benefit from concession sales. Concessions workers shall be unpaid volunteers.

J. LEASE OF EVENT SPACE: No lease for event space shall be for a period of more than three (3) years. Each lease shall contain a provision that states: "In the event that a parish or agency has a disciplinary action taken by the IGC in respect to the charitable gaming license, the Archbishop in his discretion may terminated charitable gaming activities at the parish or agency and terminate the lease without penalty or cost."

