



a specific class of permit and you must ensure the persons participating (uncompensated volunteers) are qualified under the relevant regulations.

**Step 3:** You and your volunteers must make sure to conduct the bingo games in a manner consistent with the law: the games must be open to the general public, certain notices must be posted, prize values must be consistent with the law etc.

**Step 4:** You must keep accurate records and retain them for a period of time consistent with the law.

**Step 5:** You must file returns with the Unit within ten days after the game is held and pay the State a regulation fee.

## Federal Law Regarding Charitable Gaming

Most Connecticut nonprofits are also exempt from taxation under Subsection 501(c) of the Internal Revenue Code. In 2010, the IRS released a comprehensive publication regarding 501(c) tax-exempt organizations and charitable gaming which can be found here. As discussed in depth by the IRS publication, three crucial questions for 501(c) organizations considering charitable gaming activities are as follows:

- 1) What will be the gaming activities' impact on my tax-exempt status?
- 2) Will the gaming activities result in taxable unrelated business income?
- 3) How are the gaming activities reported to the IRS?

The answers to these questions are fact specific and they depend on the particular 501(c) exempt status of the organization as well as the frequency and scale of its gaming activities.

Gaming is similar to other "trades or businesses" carried on for profit. Even though it may generate revenue for a nonprofit, the gaming activity itself likely does not further the nonprofit's

Section 501(c) exempt purpose. However, a Section 501(c) organization that conducts charitable gaming as an insubstantial part of its aggregate activities and in an infrequent manner (not regularly carried on) will neither endanger its exempt status nor generate taxable unrelated business income. If you are concerned that your charitable gaming activities are substantial and/or regularly carried on you should consider contacting your attorney and accountant to discuss.

Regardless of whether your nonprofit generates unrelated business income from gaming activities, it should also be mindful of how it must report this income to the IRS. For example, if the nonprofit's revenue from charitable gaming exceeds a certain amount (currently more than \$15,000 in gross income) the nonprofit will be required to complete and attach Schedule G, Supplemental Information Regarding Fundraising or Gaming Activities, to your Form 990 or Form 990-EZ.

## Closing Thoughts

The State and Federal legal landscape is onerous but it is not impassable. Charitable gaming is generally a profitable endeavor for nonprofits and they should not hesitate to enlist the help of their attorney or accountant to ensure they traverse this landscape responsibly.

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