~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

March 4, 2020

**S. 719**

Introduced by Senators Hembree and Fanning

S. Printed 3/4/20--S.

Read the first time March 28, 2019.

**THE COMMITTEE ON JUDICIARY**

To whom was referred a Bill (S. 719) to amend Section 33‑57‑120, as amended, Code of Laws of South Carolina, 1976, relating to raffles conducted by nonprofit organizations, so as to authorize, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking all after the enacting words and inserting therein the following:

/ SECTION 1. Section 33‑57‑140(L) of the 1976 Code is amended to read:

“(L) An individual prize awarded to each winner in a raffle shall not exceed a maximum fair market value of ~~forty~~ eighty thousand dollars. No real property shall be offered as a prize in a raffle. For each raffle event, the total fair market value of all prizes offered by any nonprofit organization shall not exceed ~~two~~ three hundred ~~fifty~~ thousand dollars.”

SECTION 2. Section 33‑57‑150 of the 1976 Code is amended to read:

“Section 33‑57‑150. (A) Expenses that are reasonable and necessary to operate and conduct raffles, as authorized by this chapter, are allowable.

(B) Allowable expenses include only reasonable and necessary expenses incurred for:

(1) advertising, including the cost of printing raffle tickets and gift certificates, provided that costs of advertising are reasonable and the services are not provided, directly or indirectly, in connection with any other service related to operating or conducting a nonprofit raffle regardless of whether those services are compensated;

(2) office supplies, copying, and minor office equipment costs incurred in conducting or operating a nonprofit raffle;

(3) reasonable postage, parking, and shipping costs;

(4) costs of food and beverages, including corkage and gratuity fees, provided to the attendees and volunteers of the event;

(5) costs of materials and supplies for decorating a facility used for a nonprofit raffle drawing;

(6) entertainment‑related costs, such as disc jockeys, music bands, auctioneers, waiters, bartenders, and wait staff, incurred during the conducting or operating of a nonprofit raffle drawing;

(7) repairs to premises and equipment related to conducting or operating a nonprofit raffle;

(8) door prizes or raffle prizes;

(9) stated premises’ rental or insurance expenses;

(10) security expenses incurred in conducting or operating a nonprofit raffle;

(11) bookkeeping, accounting, or legal services utilized in connection with a nonprofit raffle including, but not limited to, the registration fees and the required financial reports;

(12) permit costs, fees, or taxes required by local or state government to conduct and operate a nonprofit raffle; and

(13) janitorial services and supplies incurred in conducting or operating a nonprofit raffle.

(C) A report shall be submitted annually to the Secretary no later than the fifteenth day of the fifth month after the end of the nonprofit organization’s fiscal year. The report must be signed under penalty of perjury and must contain the following information for each raffle conducted within the preceding year:

(1) the amount of the gross receipts;

(2) ~~an itemized list of expenses incurred or paid, including the name of each person, company, or governmental entity to whom an expense was paid~~ the amount of adjusted gross receipts;

(3) ~~each item of an expenditure made or to be made, with a detailed description of the merchandise purchased or the services rendered, and the name of each person, company, or governmental entity to whom the expenditure is to be made~~ the total amount of expenses incurred in conducting the raffle;

(4) the amount of the net receipts;

(5) ~~the use to which the net receipts have been or are to be applied~~ the total value of cash prizes awarded;

(6) ~~a list of prizes offered and given, with an estimate of their respective values~~ the total value of noncash prizes awarded; and

(7) the number of tickets sold.

(D) A nonprofit organization that has affiliates or subsidiaries that are registered to conduct raffles pursuant to the provisions of this chapter may submit a single report that contains all of the required information for each raffle conducted by the affiliate or subsidiary to the Secretary provided that the report is submitted in a format authorized by the Secretary.

(E) Records required by this chapter shall be preserved for three years, and organizations shall make available their records relating to operations of raffles at any time at the request of a member of the organization, or investigators from the Secretary or from law enforcement. For each raffle conducted, the nonprofit organization must maintain records of the following information:

(1) a list of prizes offered and given with an estimate of their respective values;

(2) an itemized list of expenses incurred or paid, including the name of each person, company, or governmental entity to whom an expense was paid;

(3) each item of an expenditure made or to be made, with a detailed description of the merchandise purchased or the services rendered, and the name of each person, company, or governmental entity to whom the expenditure is to be made; and

(4) the use to which the net receipts have been applied.

~~(E)~~(F) No new registration shall be issued to an organization that fails to file its report as required by this section until all reports are filed, and the Secretary has confirmed that the information in the reports is in compliance with the provisions of this chapter. An organization that fails to file a timely annual report required by this section may be assessed by the Secretary administrative fines of ten dollars for each day of noncompliance for each delinquent report not to exceed two thousand dollars for each separate violation. In addition to the assessed fines, the Secretary may revoke an organization’s registration for failure to file an annual report and bring an action before an administrative law judge to enjoin the organization from conducting raffles until the required reports are filed with the Secretary.”

SECTION 3. Section 33‑57‑200 of the 1976 Code is amended to read:

“Section 33‑57‑200. ~~(A)~~ The provisions of this chapter are repealed as of ~~July 1, 2020, unless and until the General Assembly reauthorizes the provisions by joint resolution by a two‑thirds vote of each body. The vote on the reauthorization may occur within two years preceding the date of repeal~~ July 1, 2025.

~~(B)~~ ~~The provisions of this chapter are repealed every ten years thereafter, unless reauthorized in accordance with subsection (A).~~”

SECTION 4. This act takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

LUKE A. RANKIN for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Updated for Additional Agency Response on February 18, 2020**

**State Expenditure**

This bill removes the prohibition on the use of funds raised by a nonprofit organization’s raffle to purchase athletic equipment, increases the maximum fair market value of an individual prize awarded to each winner in a raffle from $40,000 to $80,000, and increases the maximum total fair market value of all prizes offered by any nonprofit organization for each raffle event from $250,000 to $300,000. Additionally, the bill extends the provisions of Chapter 57 of Title 33.

Pursuant to Section 33-56-30(A), the nonprofit organization conducting the raffle is required to file a registration statement with the Secretary of State. The Secretary of State’s office indicates that any expenditures for changes made to comply with the bill will be managed within its existing appropriations. Therefore, there is no expenditure impact on the general fund, federal funds, or other funds.

This section of the fiscal impact statement has been updated to include a response from the Secretary of State.

**State Revenue**

Pursuant to Section 33-56-30(A), the nonprofit organization conducting the raffle is required to file a registration statement with the Secretary of State, along with a fee of $50. In the absence of the extension of Title 33, Chapter 57, the Secretary of State’s office indicates a loss of revenue from registration fees and raffle fines. However, the bill, if passed, will not have an impact on revenue as the Secretary of State does not expect an increase in raffle registrations due to prize limit increases. This section of the fiscal impact statement has been updated to include a response from the Secretary of State.

**Introduced on March 28, 2019**

**State Expenditure**

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Pursuant to Section 33-56-30(A), the nonprofit organization conducting the raffle is required to file a registration statement with the Secretary of State. The expenditure impact of the bill on the Secretary of State is pending, contingent upon a response from the agency.

**State Revenue**

Pursuant to Section 33-56-30(A), the nonprofit organization conducting the raffle is required to file a registration statement with the Secretary of State, along with a fee of $50. The revenue impact of the bill on the Secretary of State is pending, contingent upon a response from the agency.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 33‑57‑120, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO RAFFLES CONDUCTED BY NONPROFIT ORGANIZATIONS, SO AS TO AUTHORIZE NONPROFIT ORGANIZATIONS RECOGNIZED AS TAX‑EXEMPT UNDER INTERNAL REVENUE CODE SECTION 501(c)(5) TO CONDUCT A RAFFLE AND TO REMOVE THE PROHIBITION ON THE USE OF FUNDS RAISED BY THE RAFFLE TO PURCHASE ATHLETIC EQUIPMENT; TO AMEND SECTION 33‑57‑140, AS AMENDED, RELATING TO STANDARDS FOR RAFFLES, SO AS TO INCREASE THE FAIR MARKET VALUE OF INDIVIDUAL PRIZE AND TOTAL PRIZE LIMITS; AND TO REPEAL SECTION 33‑57‑200 RELATING TO THE REPEAL OF CHAPTER 57, TITLE 33.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 33‑57‑120(A) of the 1976 Code is amended to read:

“(A) A nonprofit organization is qualified to conduct raffles in accordance with the provisions of this chapter if the nonprofit organization:

(1) is recognized by the South Carolina Department of Revenue and the United States Internal Revenue Service as exempt from federal and state income taxation pursuant to Internal Revenue Code Section 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), 501(c)(7), 501(c)(8), 501(c)(10), 501(c)(19), or 501(d), or is a class, department, or organization of an educational institution, as defined in Chapter 56, Title 33;

(2) is organized and operated for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition ~~(but only if no part of its activities involve the provision of athletic facilities or equipment)~~, or for the prevention of cruelty to children or animals; and

(3) is registered with the Secretary pursuant to the requirements of Chapter 56, Title 33, unless it is exempt from or not required to follow the registration requirements of Chapter 56, Title 33, or is a governmental unit or educational institution of this State.”

SECTION 2. Section 33‑57‑140(L) of the 1976 Code is amended to read:

“(L) An individual prize awarded to each winner in a raffle shall not exceed a maximum fair market value of ~~forty~~ eighty thousand dollars. No real property shall be offered as a prize in a raffle. For each raffle event, the total fair market value of all prizes offered by any nonprofit organization shall not exceed ~~two~~ three hundred ~~fifty~~ thousand dollars.”

SECTION 3. Section 33‑57‑200 of the 1976 Code is repealed.

SECTION 4. This act takes effect upon approval by the Governor.

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