



STATE OF INDIANA
ALCOHOL AND TOBACCO COMMISSION

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July 2, 2021

On April 29, 2021, Governor Holcomb signed into law Senate Enrolled Act No. 245 (“SEA 245”), updating certain provisions of Indiana’s gaming statutes. This new law, effective July 1, 2021, expands the scope of allowable type II gambling games approved by the Indiana Alcohol and Tobacco Commission (“Commission”). This memorandum discusses the updates and provides additional guidance to retailers conducting type II gambling gaming.

UPDATES: SEA 245 makes the following updates related to type II gambling games:

1. SEA 245 provides that, in addition to pull tabs, punchboards, or tip board games previously allowable for play under Ind. Code §§ 4-32.3, type II gambling games will now include (1) raffles; (2) progressive or carryover pull tab games;¹ and (3) sports-themed tip board and pull tab games approved by the Indiana Gaming Commission (“IGC”) in the [IGC’s memorandum and waiver issued on September 16, 2019](#). See SEA 245 Section 16 (amending Ind. Code § 4-36-2-20).
2. Regarding raffles allowable as a type II gambling game, SEA 245 provides that the retailer may retain up to twenty percent of the proceeds, or total sales, of a raffle drawing. SEA 245 Section 17 (amending Ind. Code § 4-36-5-1 and including new subsection (g)). A raffle type II gambling game allowable under Ind. Code § 4-36-2-20(1) is therefore separate from a “qualified drawing” under Ind. Code § 4-36-5-1(b)-(f) or “winner take all drawing” as used in and 905 IAC 1-53-8. It requires the retailer to establish and publish house rules for running the raffle. *Id.* Also, it sets the maximum amount of prizes awarded over the course of a raffle game at \$30,000.
3. Section 18 of SEA 245 updates the prize amounts for type II gambling games besides raffle games. See SEA 245 Section 18 (amending Ind. Code § 4-36-5-5). The updates are as follows:
 - a. The total prizes for a type II gambling game increased to \$10,000 (previously \$5,000).
 - b. A single prize awarded for one winning ticket in a type II pull tab, punchboard, or tip board gambling game *remains* at \$599.
 - c. A single prize awarded for one winning ticket on a seal card in a type II pull tab gambling game is set at \$1,000. (Note that SEA 245 added a new section to the Indiana Code at Ind. Code § 4-36-2-17.5 defining “seal card” to mean “a board or placard used

¹ Ind. Code § 4-32.3-2-27 defines “progressive or carryover pull tab” as “a pull tab game played with a seal card that is designed by the manufacturer to include a jackpot prize that is carried over to a subsequent deal of the same form number, in the event the jackpot prize is not won.”



with pull tabs that contains one (1) or more seals that, when removed or opened, reveals a predesigned winning number, letter, symbol, or monetary denomination.”)

- d. A single prize awarded for one winning ticket on a progressive or carryover pull tab game in a type II gambling game may not exceed \$5,000.

The maximum selling price for one ticket for a type II gambling game remains at \$1, and tickets sold for less than \$1 must still be sold in accordance with Ind. Code § 4-36-5-6(b). This limit applies to the sale of raffle tickets.

SPORTING EVENT TYPE II GAMBLING GAMES: As noted above, when SEA 245 takes effect on July 1, 2021, the scope of type II gambling games will expand to include sports-themed tip board and pull tab games as approved by the IGC’s memorandum and waiver of September 16, 2019. Also, the prohibition of conducting a qualified drawing or other event “in which the winner of a prize is determined, in whole or in part, on a sporting event” found at Ind. Code § 4-36-5-1(c)(6) was eliminated. Accordingly, on or after July 1, 2021, the prohibition against any retailer conducting any type II gambling game or winner take all drawing in which the winner of a prize is determined, in whole or in part, on a sporting event found at **905 IAC 1-53-5(b) is null and void.**

RAFFLE HOUSE RULES: 905 IAC 1-53-6 requires retailers to establish house rules governing its type II gambling operation as follows:

(a) The retailer must establish its house rules governing its type II gambling operation. At a minimum, the house rules shall contain all of the following information:

- (1) The retailer’s name.
- (2) The Indiana alcoholic beverage permit number.
- (3) The time limit for the redemption of the type II gambling game, which shall be not less than seven (7) days, but not more than fourteen (14) days from the date the deal is closed.
- (4) The effective date of the house rules.

(b) The retailer shall post the house rules in a prominent place of the retailer’s tavern or jumbo boat.

(c) The house rules shall not conflict with Indiana alcoholic beverage laws and rules.

In addition to these requirements, retailers hosting raffle type II gambling games must establish house rules specific to that type of game. Such house rules include, but are not limited to:

- The price of a ticket.
- The timing and frequency of a raffle drawing.



- The description and value of the prizes awarded in the drawing.
- The manner in which a prize may be claimed.
- The rules of the retailer concerning the following:
 - raffle drawings in which no winning ticket is drawn.
 - The period that the retailer will hold a prize for a winning patron who was not present to claim the prize at the time of the raffle drawing.
- Whether the retailer will retain a percentage of the proceeds from conducting the raffle drawing and what percentage; and
- How monies collected for a raffle above and beyond the prize limits set by Ind. Code § 4-36-5-1(g) are handled.

REPORTING WINNINGS AND WITHHOLDING INCOME TAX: Retailers conducting type II gambling gaming have certain reporting and withholding obligations to the Internal Revenue Service (“IRS”). The IRS provides an overview of these obligations in [IRS Publication 3079, Chapter 6 \(pp. 18-21\)](#). Those requirements are summarized below.

1. **Reportable Winnings:** Retailers hosting any allowable type II gambling game must report winnings to the IRS on any payment of winnings when the amount paid is:
 - \$600 or more; and
 - At least 300 times the amount of the wager.

EX: Mr. G buys a \$2 raffle ticket from your organization. At the raffle, Mr. G’s number is drawn and he wins \$1,000. Because the winnings (\$998) are greater than \$600 and more than 300 times the amount of the wager, the retailer must report Mr. G’s winnings to the IRS.

Reportable winnings are reported to the IRS on a [W-2G form](#).

2. **Income Tax Withholding:** Retailers hosting any allowable type II gambling game must withhold income tax from a payment of winnings when the proceeds from the wager are more than \$5,000 and the wager was placed in a raffle OR any other wagering transaction, if the proceeds are at least 300 times the amount wagered. The applicable rate is twenty-four percent (24%). Withheld taxes are reported in box 2 on the W-2G form.

Please review [IRS Publication 3079](#) or call the IRS at (877)-829-5500 for questions regarding reporting winnings and withholding.