

## House Raffle Alert: Essay Contest in New Jersey

When is a house raffle not a house raffle? When it's an essay contest!

If that doesn't make sense to you, you're not alone. I was confused until I read the entire story at [Own A Home For 1.00](#). The gist is this: frustrated by the gambling laws in her state and determined to raffle off her house on her own, a homeowner figured out how to do it without gambling.

Raffles and lotteries are games of chance and closely regulated by gambling commissions and state Attorney Generals. Contests, however, are games of skill and aren't much regulated at all.

So this isn't technically a house raffle. It's an essay contest that requires a \$100 "gift" to enter. The selected winner of the essay contest will have the opportunity to buy the house for a dollar? just \$1.00 USD.

The Own A Home for 1.00 website states?

I will not award my house as the prize, but instead offer the opportunity to buy it for \$1 as the prize, thereby relieving the winner of the tax on it's value...New owner may be subject to Capital Gains tax if the house is sold at a later date, but may be able to apply their lifetime Capital Gains credit.

The homeowner appears to have researched the legal and tax issues before offering this contest, but I have concerns about the arrangement:

- This contest looks to be unregulated, with no authorities checking on how the money is collected, managed, held, or spent
- The winner will be chosen based on opinion rather than luck, so there's an opportunity for bias
- The claim that taxes can be avoided

*Note: Check with your tax manager on how buying this house for \$1 would affect your tax obligations*

At the same time, I am comfortable with things about the essay contest that are like typical house raffles:

- A local nonprofit will get part of the proceeds
- The homeowner will return the proceeds if she doesn't meet her goal of 3,250

### contest entries

As of this moment 1,128 contest entries and \$100 "gifts" have been received [*Sorry, the unlabeled counter in the upper left of her site is NOT a ticket/gift status like other raffle websites, it is a Hit Counter for the number of times the site has been visited*]. There are only 35 days left until the contest entry deadline of February 14, 2009, so don't dilly dally if this is something you're interested in. "Gifts" are accepted online through PayPal.

If you decide to raffle your house on your own, be wary of tiptoeing around the gambling laws as you work out how you'll do it. It sounds easy, but it is a complex and labor-intensive project that even experienced fundraisers find challenging.

As always, I'm suggesting you seek professional legal counsel first. There can be a very thin line between when a house raffle *is* gambling versus when it *isn't*...and you may be arrested, fined, or both if your state doesn't agree with you.