INTRODUCTION

To raise monies for employee recognition funds and other worthwhile causes, raffles and similar games of chance are often considered. With very specific exceptions, these sorts of practices may, however, be unlawful gambling. This section of SAAM deals with gaming activities, when they are considered gambling, when they are allowed, when they are prohibited. The laws covering gambling in the State of Arizona are contained in A.R.S. §§ 13-3301 through 13-3312.

POLICY & PROCEDURES

1. As described by statute, gambling is the act of risking or giving something of value for the opportunity to gain a benefit from a game or contest of chance or skill or a future contingent event.

2. Among the types of gambling that may be lawful in Arizona are:

   2.1. Gambling conducted in accordance with the compacts that exist between the State and the various Native American tribes with reservations in the State.

   2.2. Gambling conducted by organizations that are tax exempt under Internal Revenue Code (IRC) section 501(c)(3). These types of organizations include entities like churches and charities, such as the Valley of the Sun United Way, which acts as fiscal agent for the State Employees Charitable Campaign (SECC).

   2.3. Gambling that involves players who compete on equal terms and in which no player receives any benefit other than the player’s winnings. This is social gambling as might occur between or among friends in their homes.

   2.4. Other gambling that may be authorized by statute.

3. The State of Arizona is tax exempt, but under IRC section 170(c)(1), and not under IRC section 501(c)(3).

   3.1. The State of Arizona, hence, under its own laws may not conduct gambling activities.

   3.2. Employee recognition activities, as authorized by A.R.S. § 41-709, therefore, may not raise money by conducting gambling activities, since the proceeds of such activities are public monies as defined by A.R.S. § 35-302.
4. Some examples of lawful and unlawful activities frequently occurring or proposed are listed below:

4.1. Unlawful and prohibited activities (unless specifically permitted by law) include, but may not be limited to:

4.1.1. Raffles in which players risk, pay or wager something of value with the principal intent of securing a chance to win a benefit. Though often so contemplated, raffles are inappropriate as means of raising money for employee recognition funds.

4.1.2. Sports pools in which the organizer or sponsor takes a cut from the amounts wagered.

4.2. Lawful and permitted activities (unless specifically prohibited by law) include, but may not be limited to:

4.2.1. Games in which players do not risk anything of value for a chance to win a benefit. This situation may arise in connection with certain employee recognition events in which qualified employees (e.g., those who received spot recognitions for exemplary performance) are each given an opportunity to win a prize purchased with employee recognition funds.

4.2.2. Silent auctions in which employees place bids to win prizes that have been donated to an employee recognition fund. Losing bidders do not risk or lose their bids; winning bidders have, in effect, agreed to purchase some product or service for the amount bid.

4.2.3. Contributions to charitable organizations, such as the State Employees Charitable Campaign (SECC), that may result in the contributor winning a prize. In such situations, the contribution is not made with the principal intent of securing a chance to win a benefit.

4.2.4. Contributing to deferred compensation programs, paying insurance premiums, and other forms of investing may involve risk, but are not considered gambling as defined by statute.

5. While some activities may not be unlawful under the gambling statutes, they may otherwise be prohibited (e.g., an employee’s use of his time during working hours).