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legal compliance.



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How to Protect Your Company From Legal Risks When Running a Sweepstakes

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Finding the right [sweepstakes company](#) is one of the best ways to protect your company from [legal risks](#) when running a sweepstakes.

However, sorting through all of the federal and state sweepstakes laws isn't an easy task.

With social media sweepstakes, you'll also need to make sure that your sweepstakes complies with the Terms of Service of Instagram, Facebook, [Twitter](#), Pinterest, LinkedIn, TikTok, Telegram, Twitch or any other social media platforms you use to promote your sweepstakes.



Protect Your Sweepstakes Or Contest Promo From Legal Risks

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Because of all these rules, it's only natural to worry about the risks of non-compliance. To help you get started, here are a few tips to help you protect your company from risk when running a sweepstakes.

IN THIS ARTICLE:

- What's the difference between a sweepstakes and an [illegal lottery](#)?
- Do sweepstakes need [official rules](#)?
- How do sweepstakes laws affect promotions offered to residents in multiple states?



Is Your Promotion a Sweepstakes, Contest, or Lottery?

It is illegal to run a lottery in all 50 states. For your promotion to be considered as a legal sweepstakes and not a lottery, it needs to offer a free method of entry as required by law.

Furthermore, there must not be any cash payment or purchase required to enter, as there may not be an element of consideration in your promotion.

In some states, forcing entrant to put in extra effort in order to participate in your sweepstakes could be deemed as consideration.

This is why it's important to have a sweepstakes company review your promotion before it goes live to ensure that your promotion is considered as a sweepstakes in all jurisdictions and not an illegal lottery.

Contests involve a degree of skill and the winner is selected based on the decisions of a panel of judges. As a result, if winners are not chosen at random, then your promotion is not a sweepstakes.

All sweepstakes must offer a free method of enter and choose winners at random.



Does My Sweepstakes Need Official Rules?

All sweepstakes must have [official rules](#). The sweepstakes rules serve as the contract between sweepstakes participants and the sweepstakes sponsor.

For a full breakdown of what goes into sweepstakes official rules, [read more here](#).

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How Do State Sweepstakes Laws Affect My Sweepstakes?

Part of the job of a sweepstakes company is to make sure that your sweepstakes is compliant in all jurisdictions in which it's offered. That said, some states do have additional laws and regulations that will apply to your sweepstakes if you offer it to residents of that state.

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Here is an overview of state sweepstakes laws that may apply to your promotion:

1. Arizona: The state of Arizona requires registration for all contests that require participants to make a purchase or cash payment in order to enter.
2. Colorado: The state of Colorado requires that sweepstakes sponsors include the full official rules for the promotion in all direct mail pieces. Contests that require a purchase or cash payment are not permitted.
3. Florida: Sweepstakes promotions with prizes of [ARV](#) \$5,000 or more must be registered and bonded at least 7 days prior to the sweepstakes start date. The sweepstakes sponsor must also file a winners list to give to anyone who requests it.
4. Maryland: Contests that require a purchase or cash payment are not permitted.
5. New York: Sweepstakes promotions with prizes of ARV of \$5,000 or more must be bonded and registered. The sweepstakes sponsor must also publish a winners list.
6. North Dakota: Contests that require a purchase or cash payment are not permitted.
7. Ohio: An AMOE must be offered if the primary sweepstakes entry method involves visiting a store to enter the sweepstakes promotion.
8. Rhode Island: A sweepstakes that is advertised in a retail location with a prize with ARV \$500 or more must be registered before the sweepstakes promotion's start date.
9. Tennessee: Sweepstakes promotions that require winners to submit a publicity released are not permitted.



Is It Legal to Run a Sweepstakes That Requires a Purchase?

Do you want to require your participants to buy your product or service in order to enter your sweepstakes?

By adding a free Alternative Method of Entry (AMOE), also known as a free entry method, you can still have participants enter your sweepstakes by making a purchase.

However, the participants who entered via the free method of entry must still receive the same number of entries as the sweepstakes participants who made a purchase in order to enter.

A sweepstakes company can help you draft sweepstakes rules to ensure that your promotion complies fully with this rule by inserting a “no purchase necessary” clause into your sweepstakes.

via [GIPHY](#)

What About Sweepstakes Taxes and IRS Reporting?

For prizes valued with an ARV of \$600 or more, the sweepstakes sponsor is required to issue a IRS Form 1099-MISC to the winner and file Form 1096 with the IRS.

A sweepstakes company can help collect the information you need and process these forms while protecting the privacy of the sweepstakes winners.

They can also handle formal acceptance so that you always have a confirmation in writing that the [sweepstakes prize](#) comes along with an income tax responsibility.

Looking for a sweepstakes company to help you with your next promotion? Sweepsify helps you find top sweepstakes companies in seconds. [Create your free Premium account now](#) to get started.

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