

LOTTERY GAME REGULATIONS

(11 VAC 5-41-10 et seq.)

Proposed

11 VAC 5-41-10. Definitions for lottery games.

A. The words and terms, when used in any of the department's regulations, shall have the same meaning as defined in this chapter, unless the context clearly indicates otherwise.

B. Definitions for lottery games are as follows:

"Altered ticket" means a lottery ticket which has been forged, counterfeited or tampered with in any manner.

"Barcode" means the individual coded number assigned to a lottery ticket for the purpose of electronic scanning, validation, redemption or other tracking purpose.

"Bearer instrument" means a lottery ticket which has not been signed by or on behalf of a natural person. Any prize won on an unsigned ticket is payable to the physical possessor, or bearer, of that ticket.

"Breakage" means the money accumulated from the rounding down of the parimutuel prize levels to the next lowest whole dollar amount which will be added to the jackpot prize pool for the drawing immediately following the drawing which produced the breakage and shall be used exclusively to fund prizes.

"Certified drawing" means a drawing in which lottery officials and an independent certified public accountant attest that the drawing equipment functioned properly and that a random selection of a winning combination occurred.

"Drawing" means a formal process of randomly selecting numbers or items in accordance with the specific game rules for those games requiring random selection of number(s) or item(s).

"Game" means any individual or particular type of lottery authorized by the board.

"Instant game" means a game that, when played, will reveal immediately whether the player has won a prize or entry into a prize drawing, or both.

"Misprinted ticket" means a lottery ticket which contains a manufacturing or printing defect. A

player holding such a lottery ticket is entitled to a replacement ticket of equal value in that or any other current lottery game.

"Natural person" means a human being, but not a corporation, company, partnership, association or trust.

"On-line system" means the department's on-line computer system consisting of on-line terminals, central processing equipment, and a communication network.

"On-line terminal" or "terminal" means a device which is authorized by the department to function in an on-line, interactive mode with the department's computer system for the purpose of issuing tickets or an electronic facsimile thereof, and entering, receiving and processing game-related transactions.

"On-line ticket" means a computer-generated or electronically-produced ticket on lottery stock issued by an on-line lottery retailer to a player as a receipt for the number, numbers, or items or combination of numbers or items the player has selected.

"Pack" means a set quantity of consecutively numbered scratch tickets, or electronic facsimiles, which all bear an identical pack number which is unique to that pack among all the tickets manufactured for a particular game.

"Prize" means any cash or noncash award to a holder of a winning lottery game ticket.

"Probability game" means a game in which all of the tickets sold are potentially winning tickets, and the outcome of the game depends entirely upon the player's scratch choice of a limited number of play spots.

"Roll stock" or "ticket stock" means the paper roll issued by the department placed into the lottery retailer terminal from which a unique lottery ticket is generated by the computer, displaying the selected item(s) or number(s).

"Scratch ticket" means an instant game ticket with a latex or electronically-produced covering over the game symbols located in the play area. Each ticket has a unique barcode, validation number and ticket number.

"Share" means a percentage of ownership in a winning ticket or subscription plan.

"Ticket number" means the preassigned unique number or combination of letters and numbers which identifies that particular ticket as one within a particular game or drawing.

"Validation" means the process of presenting a lottery ticket to determine whether a lottery ticket

is a winning ticket.

"Validation number" means the unique number or number-and-letter code used to determine whether a lottery ticket is a winning ticket.

11 VAC 5-41-20. Development of lottery games.

The director shall select, operate, and contract for the operation of lottery games which meet the general criteria set forth in this chapter and in applicable game rules. The board shall approve the specific details of each game after consultation with the director.

11 VAC 5-41-30. Prize structure.

A. The specific prize structure for each type of lottery game shall be approved in advance by the board.

B. Prizes may be cash or noncash awards, including game tickets.

C. From time to time, the board may determine temporary adjustments to the prize structure to account for breakage or other fluctuations in the anticipated redemption of prizes.

11 VAC 5-41-40. Chances of winning.

The director shall publicize the overall chances of winning a prize in each lottery game. The chances may be printed on the ticket or contained in informational materials.

11 VAC 5-41-50. Ticket price.

A. The sale price of a lottery ticket for each game will be determined by the board. These limits shall not operate to prevent the sale of more than one lottery play on a single ticket. Unless authorized by the board, lottery retailers may not discount the sale price of tickets or provide free lottery tickets as a promotion with the sale of tickets. This section shall not prevent a licensed retailer from providing free game tickets with the purchase of other goods or services customarily offered for sale at the retailer's place of business; provided, however, that such promotion shall not be offered with the purchase of alcoholic beverages.

B. This section shall not apply to the redemption of a winning ticket, the prize for which is one or more free tickets.

C. The director may waive certain provisions of subsection A for special lottery promotional events.

11 VAC 5-41-60. **Drawing and selling times.**

A. Drawings shall be conducted at times and places designated by the director and publicly announced by the department.

B. Retailers may sell tickets from new instant games upon receipt of the tickets from the department, but shall not sell tickets for an instant game after the announced end of that game.

C. On-line tickets may be purchased up to a time prior to the drawing as specified in the on-line game rules. That time will be designated by the director.

11 VAC 5-41-70. **Ticket cancellation.**

A ticket may be canceled in accordance with the procedures contained in the rules for each game.

11 VAC 5-41-80. **Ticket returns.**

A. Ticket sales to retailers are final. The department will not accept returned unsold tickets for credit except as provided for in the department's policy for scratch ticket returns.

B. Once tickets are accepted by a retailer, the department will not replace mutilated or damaged tickets, or be responsible for lost, stolen or destroyed tickets, unless specifically authorized by the director.

11 VAC 5-41-90. **End of game; suspension.**

Each lottery game will end on a date announced in advance by the director. The director may suspend or terminate any lottery game without advance notice if he finds that this action will serve and protect the public interest.

11 VAC 5-41-100. **Validation requirements.**

A. To receive payment for a prize, a Virginia lottery game ticket shall be validated by the retailer or the department as set out in this chapter and in any other manner which the director may prescribe in the specific rules for the lottery game, and shall include the following:

1. The original ticket must be presented for validation.

2. The ticket validation number shall be present in its entirety.

3. The ticket shall not be mutilated, altered, or tampered with in any manner. If a ticket is partially mutilated or if the ticket is not intact and cannot be validated through normal procedures but

can still be validated by other validation tests, the director may pay the prize for that ticket.

4. The ticket shall not be counterfeited, forged, fraudulently made or a duplicate of another winning ticket.

5. The ticket shall have been issued by the department or by a licensed lottery retailer in an authorized manner.

6. The ticket shall not have been cancelled or previously paid.

7. The ticket shall be validated in accordance with procedures for claiming and paying prizes as set out in the game rules.

8. The ticket data shall have been recorded in the central computer system before the on-line game drawing or the instant game ticket sale, and the ticket data shall match this computer record in every respect.

9. The ticket may not be misregistered or defectively printed to an extent that it cannot be processed by the department.

10. The ticket shall pass all other confidential security checks of the department.

B. Any lottery cash prize or free ticket (at its equivalent value) resulting from a ticket which is purchased by or claimed by a person ineligible to play the lottery game is invalid and reverts to the State Lottery Fund.

11 VAC 5-41-110. Use of playslips.

A. Playslips may be used to select a player's number or numbers to be played in an on-line game. If a playslip is used to select the player's number or numbers for an on-line game, the playslip number selections shall be manually marked and not marked by any electro-mechanical, electronic printing or other automated device.

B. Any playslip marked by methods other than those authorized by this chapter is invalid and subject to seizure by the department if presented for play at any lottery terminal. Any tickets produced from the use of invalid playslips are also invalid and subject to seizure by the department.

C. Nothing in this chapter shall be deemed to prevent a person with a physical handicap who is unable to mark a playslip manually from using any device intended to permit such person to make such a mark for his sole personal use or benefit.

11 VAC 5-41-120. Replacement of ticket.

If a misprinted or otherwise defective ticket is purchased, the department's only liability or responsibility shall be to replace the misprinted ticket with an unplayed ticket of equal price from the same or another game or to refund the purchase price of the defective ticket.

11 VAC 5-41-130. Prize-winning tickets.

A. Prize-winning tickets are those that meet the criteria and specific rules for winning prizes as published by the director for each game.

B. The department shall not redeem prizes for tickets which would have been prize-winning tickets but for the fact that they have been cancelled by the retailer.

11 VAC 5-41-140. Where prizes claimed.

Winners may claim game prizes from any licensed lottery retailer or from the department in the manner specified in this chapter or in the game rules.

11 VAC 5-41-150. Retailers' prize payment procedures.

Procedures for prize payments by retailers are as follows:

1. Retailers may pay cash prizes in cash, by certified check, cashier's check, business check, money order, other cash equivalent or by any combination of these methods.

2. If a check for payment of a prize by a retailer to a claimant is denied for any reason, the retailer is subject to the same service charge, interest and penalty payments for referring a debt to the department for collection that would apply if the check were made payable to the department. A claimant whose prize check is denied shall notify the department to obtain the prize.

3. During normal business hours of the lottery retailer when the on-line terminal is operational and the ticket claim can be validated, an on-line lottery retailer shall pay any lottery prize of \$601 or less, unless otherwise determined by the director, regardless of the location from which the winning ticket was purchased. An instant game only retailer shall pay any instant game prize of \$601 or less.

4. A prize claim shall be paid only at the location specified on the retailer's license or at a lottery office.

5. The department will reimburse a retailer for all valid prizes paid by the retailer within the specified prize redemption period for the game from which the prize resulted.

6. In no case shall a retailer impose a fee, additional charge or discount for cashing a winning lottery game ticket.

7. Retailers who pay claims without validating the tickets do so at their own financial risk.

8. Federal Internal Revenue Code, 26 USC § 6050I requires lottery retailers who receive more than \$10,000 in cash in one transaction or two or more related transactions in the aggregate, from a single player or his agent, to file a return or such information with the Internal Revenue Service. The IRS encourages retailers to report all suspicious transactions, even if they do not meet the \$10,000 threshold. For purposes of this requirement only, "cash" includes coin and currency only and does not include bank checks or drafts, traveler's checks, wire transfers, or other negotiable or monetary instruments not customarily accepted as money.

11 VAC 5-41-160. No reimbursement for retailer errors.

The department shall not reimburse retailers for prize claims a retailer has paid in error.

11 VAC 5-41-170. Retailer to void winning ticket.

After a winning ticket is validated and the prize is paid to the ticket holder, the retailer shall physically void the ticket to prevent it from being redeemed more than once. The manner of voiding the ticket will be by hole punching, unless otherwise prescribed by the director.

11 VAC 5-41-180. When prize shall be claimed from the department.

A. The department will pay prizes in any of the following circumstances:

1. If a retailer cannot validate a claim which the retailer otherwise would pay, the ticket holder shall present the signed ticket to any department office or mail the signed ticket to the department's headquarters.

2. If a ticket holder is unable to return to any retailer to claim a prize which the retailer otherwise would pay, the ticket holder may present the signed ticket at any department office or mail the signed ticket to the department's headquarters.

3. If the prize amount is more than \$601, the ticket holder may present the signed ticket at any department office or mail the signed ticket to the department headquarters.

B. The department may require a claim form.

C. A player shall bear all risk of loss or damage by sending the ticket through the mail.

11 VAC 5-41-190. Department action on claims for prizes submitted to department.

A. The department shall validate the winning ticket claim according to procedures contained in this chapter.

B. If the claim cannot be validated, the department will promptly notify the ticket holder.

C. If the claim is mailed to the department and the department validates the claim, a check for the prize amount will be mailed to the winner.

D. If an individual presents a claim to the department in person and the department validates the claim, a check for the prize amount will be presented to the winner.

11 VAC 5-41-200. Withholding, notification of prize payments.

A. When paying any prize of \$601 or more, the department shall:

1. File the appropriate income reporting form(s) with the Virginia Department of Taxation and the federal Internal Revenue Service; and

2. Withhold federal and state taxes from any winning ticket in excess of \$5,001.

B. Additionally, when paying any cash prize of \$100 or more, the department shall withhold any moneys due for delinquent debts as provided by the Commonwealth's Setoff Debt Collection Act, Article 21 (§ 58.1-520 et seq.) of Chapter 3 of Title 58.1 of the Code of Virginia.

11 VAC 5-41-210. Ticket is bearer instrument.

A ticket that has been legally issued by a licensed lottery retailer is a bearer instrument until the ticket has been signed. The person who signs the ticket is considered the owner of the ticket.

11 VAC 5-41-220. Payment made to bearer.

Payment of any prize will be made to the bearer of the validated winning ticket for that prize upon submission of the ticket and a prize claim form, if one is required, unless otherwise delayed in accordance with this chapter. If a validated winning ticket has been signed, the bearer may be required to present proper identification.

11 VAC 5-41-230. How prize claim entered.

A prize claim shall be entered in the name of a natural person as prescribed by § 58.1-4019 B of the Code of Virginia. In all cases, the identity and social security number of all natural persons who receive a prize or share of a prize greater than \$100 from a winning ticket redeemed at any department office shall be provided.

1. A nonresident alien shall furnish his Immigration and Naturalization Service (INS) Number.

2. Two or more natural persons claiming a single prize may file Internal Revenue Service (IRS) Form 5754, "Statement by Person(s) Receiving Gambling Winnings," with the department. This form designates to whom winnings are to be paid and the person or persons to whom winnings are taxable.

3. Two or more natural persons wishing to divide a jackpot prize shall complete an "Agreement to Share Ownership and Proceeds of Lottery Ticket" form. The filing of this form is an irrevocable election which may only be changed by an appropriate judicial order.

11 VAC 5-41-240. Delay of payment allowed.

A. The director may refrain from making payment of a prize pending a final determination by the director, under any of the following circumstances:

1. If a dispute occurs, or it appears that a dispute may occur, relative to any prize;

2. If there is any question regarding the identity of the claimant;

3. If there is any question regarding the validity of any ticket presented for payment;

4. If there is any question whether a claimant has made a valid cash option election; or

5. If the claim is subject to any set off for delinquent debts owed to any agency eligible to participate in the Setoff Debt Collection Act (Article 21 (§ 58.1-520 et seq.) of Chapter 3 of Title 58.1 of the Code of Virginia) if the agency has registered such debt with the Virginia Department of Taxation and timely notice of the debt has been furnished by the Virginia Department of Taxation to the State Lottery Department.

B. The director may, at any time, delay any periodic or installment payment in order to review a change in circumstance relative to the prize awarded, the payee, the claim, or any other matter that has been brought to the department's attention. All delayed installments shall be brought up to date immediately upon the director's confirmation. Delayed installments shall continue to be paid according to the original payment schedule after the director's decision is given.

C. No liability for interest for any delay of any prize payment in accordance with subsections A and B, or any delay beyond the department's control, shall accrue to the benefit of the claimant pending payment of the claim. The department is neither liable for nor has it any responsibility to resolve disputes between or among competing claimants.

11 VAC 5-41-250. No accelerated payments.

Unless cash option payment is selected by the player, or unless otherwise permitted by federal or state law, the director shall not accelerate payment of a prize for any reason.

11 VAC 5-41-260. Using winners' names.

The department shall have the right to require prize winners to participate in press conferences and to use the names and photographs of prize winners and the city, town or county in which they live, as well as the prize amounts won. No additional consideration shall be paid by the department for this purpose unless authorized by the director.

11 VAC 5-41-270. Prizes of \$50,000 or less.

Unless otherwise determined by the director, prizes of \$50,000 or less may be claimed from any of the department's offices. Department offices will pay prizes by check after tickets are validated and after any other applicable requirements contained in this chapter are met.

11 VAC 5-41-280. Prizes of more than \$50,000.

Unless otherwise determined by the director, prizes of more than \$50,000 and noncash prizes other than free lottery tickets may be claimed from the department's headquarters. The headquarters will pay cash prizes by check after tickets are validated and after any other applicable requirements contained in this chapter are met.

11 VAC 5-41-290. Grand prize event.

If a lottery game includes a grand prize event, the following general criteria shall be used:

1. Entrants in the event shall be selected from tickets which meet the criteria stated in specific game rules set by the director;
2. Participation in the drawing(s) shall be limited to those tickets which are actually purchased by the entrants on or before the date announced by the director;
3. If, after the event is held, the director determines that a ticket should have been entered in the

event, the director may place that ticket into a grand prize drawing for the next equivalent event, which action shall be the extent of the department's liability; and

4. The director shall determine the date(s), time(s) and procedures for selecting grand prize winner(s) for each on-line game, and the proceedings for selection of the winners shall be open to the public.

11 VAC 5-41-300. When prize payable over time.

When a prize or share is to be paid over time, except for the first payment, the director may round the actual amount of the prize or share to the nearest \$1,000 to facilitate purchase of an appropriate funding mechanism.

11 VAC 5-41-310. When prize payable for "life."

If a prize is advertised as payable for the life of the winner, the prize will be payable in installments, as provided by specific game rules, for the lifetime of the player and will cease upon the death of the winner. When the prize is won by two or more persons on a single ticket, the life of the claim shall be 20 years, unless otherwise specified in the game rules.

11 VAC 5-41-320. Liability ends with prize payment.

All liability of the Commonwealth, its officials, officers and employees, and of the department, the board, the director and employees of the department, terminates upon final payment of a lottery prize, or sooner if so provided in the game rules or these regulations.

11 VAC 5-41-330. Marking tickets prohibited; exceptions.

Marking of tickets in any way is prohibited except by a player to play a game according to the rules of that specific game or to claim a prize or by the department or a retailer to identify or to void the ticket.

11 VAC 5-41-340. Lost, stolen, destroyed tickets.

The department is not liable for lost, stolen or destroyed tickets.

The director may honor a prize claim of an apparent winner who does not possess the original ticket if the claimant is in possession of information which demonstrates that the original ticket meets the following criteria and can be validated through other means. Such information may include, but is not limited to, the following:

1. The claim form, if required, and a photocopy of the ticket, or photocopy of the original claim

form, if required, and ticket, are timely filed with the department;

2. The prize for which the claim is filed is an unclaimed winning prize as verified in the department's records;

3. The prize has not been claimed within the required redemption period; and

4. The claim is filed within the redemption period, as established by game rules.

11 VAC 5-41-350. Unclaimed prizes.

A. Except for free ticket prizes, all claims for lottery game winning tickets must be mailed in envelopes bearing a United States Postal Service postmark or received for payment as prescribed in this chapter within 180 days after the date of the drawing for which the ticket was purchased. In the event that the 180th day falls on a Saturday, Sunday or legal holiday, a claimant may redeem his prize-winning ticket on the next business day only at any lottery office.

B. Any lottery cash prize which remains unclaimed after 180 days following the drawing which determined the prize shall revert to the State Literary Fund. Cash prizes do not include free ticket prizes or other noncash prizes such as merchandise, vacations, admissions to events and the like.

C. All claims for on-line game winning tickets for which the prize is a free ticket must be mailed in an envelope bearing a United States Postal Service postmark or received for redemption as prescribed in this chapter within 60 days after the date of the drawing for which the ticket was purchased. In the event that the 60th day falls on a Saturday, Sunday or legal holiday, a claimant may only redeem his prize-winning ticket for a free ticket at an on-line lottery retailer on or before the 60th day. Except for claims for free ticket prizes mailed to lottery headquarters and postmarked on or before the 60th day, claims for such prizes will not be accepted at any lottery office after the 60th day. This section does not apply to the redemption of free tickets awarded through the subscription program.

D. Any instant game prize-winning ticket of \$25 or less which has been purchased but which is not claimed within 180 days after the announced end of the instant game shall revert to the State Lottery Fund.

E. In case of a prize payable over time, if such prize is shared by two or more winning tickets, one or more of which are not claimed within the prize redemption period, as established by game rules, the department will transfer that portion of the prize to the Literary Fund in accordance with procedures approved by the State Treasurer.

F. In accordance with the provisions of the Soldiers' and Sailors' Civil Relief Act of 1940 (50 USCA Appx § 525), any person while in active military service may claim exemption from the 180-day ticket redemption requirement. Such person, however, must claim his winning ticket or share as soon as

practicable, and in no event later than 180 days, after discharge from active military service.

11 VAC 5-41-360. **Director may postpone drawing.**

The director may postpone any drawing to a certain time and publicize the postponement if he finds that the postponement will serve and protect the public interest.

11 VAC 5-41-370. **Director's decision final.**

All decisions of the director regarding ticket validation shall be final.

11 VAC 5-41-380. **Development of subscription.**

In addition to regulations set forth in this chapter, the conduct of subscriptions is subject to all applicable rules and regulations of the department.