


# Ready to Run a Contest? Laws and What to Include in Your Official Rules

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Are you thinking of running a contest or sweepstakes? Whether your contest or sweepstakes is online or offline, it's important to familiarize yourself with laws and regulations that are applicable in your state. Contest and Sweepstakes are great ways to increase sales and build loyalty with your customers. However, not complying with state laws can put you at risk of incurring significant fines. Promotions in the United States are divided into two groups or categories: sweepstakes and contests. In this article, we'll discuss the basics of contest and sweepstakes laws and provide help on what to include in your official rules.

## What is the difference between a Sweepstakes and a Contest?

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In Sweepstakes, the winner(s) are chosen at random. The prizes can be almost anything from an all-expense-paid trip to a t-shirt. An example of a Sweepstakes can be a promotion where you submit an online form as a method of entry for a chance to win cash or a gift card. The winner will be chosen from all the entrants at random.

In a contest, the winner(s) is selected based on skill or ability. The winner is chosen based on pre-established criteria or with a judging panel and not at random.

**Example:** *Competing on who makes the best pizza. The best pizza maker is the winner.*

## Who regulates the Sweepstakes and Contest Laws and Regulations?

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All sweepstakes must comply with federal and state law. In the U.S, giveaway and sweepstakes laws are administered by various agencies. Some of the agencies are the Federal Trade Commission (FTC), Federal Communications Commission (FCC), and the Department of Justice (DOJ). While states have their own sweepstakes and contest laws and regulations that apply, every promotion must also comply with general federal contest regulations as well.

## Key Contest and Sweepstakes Legal Requirements

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Here are some key sweepstakes laws, regulations, and legal requirements that must be followed in all sweepstakes and contests. Sweepstakes and contests will need to offer:

### No Purchase Necessary or Provide and Alternative (Free) Means of Entry (AMOE)

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Requiring contestants to make purchases for entry into the sweepstake is not allowed. However, sweepstakes can require contestants to pay an entry fee or purchase a product as long as there is also a **free method of entry** (AMOE) offered. If there is no free method of entering then it's considered an illegal lottery. An example of a free method of entry is sending your entry via mail-in or online form.

If you charge an Entry Fee for a Contest, there should be a free method of entry. If an entry fee is charged in a contest, it is usually used to cover expenses that give participants equal chances of winning.

**Example:** If you are hosting an art contest, the entry fee will be used to pay expenses of materials like canvas and paintbrushes. This is to ensure all contestants used the same materials and no one is favored.

## Established Official Rules

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Official Rules set the foundation for the legal compliance of the sweepstakes or contests. The sweepstakes rules must comply with sweepstakes laws and contest laws by state and federal regulations.

Beware of Official Rules templates found online. While you might think these are useful and well redacted, they will not necessarily comply with your particular promotion.

## Privacy Policy

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A written privacy policy is recommended to be displayed on the Official Rules. In the privacy policy, the company has to disclose how the participant's data gathered will be used. The privacy policy should always be included in your official rules.

## Eligibility Requirements

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The official rules need to include information on who can participate and enter the contest or sweepstakes. The most common eligibility requirements are regarding age and residency.

## Tax Implications

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Winners with a prize valued at \$600 or more must be reported to the IRS. The IRS requires any prizes awarded must accompany a 1099 MISC form. You should also let the potential participants know that by accepting the prize, they will receive a 1099 form for the total value of the prize and that the winner will need to provide their social security number as required in the 1099 MISC form.

## Other Contest Legal Requirements

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Other important legal requirements are:

1. Promotion Details
2. Abbreviated Rules
3. Winner Releases and Affidavits
4. Social Media Policies
5. Other Contest Laws by State

**Check out:** [Your Sweepstakes Rules Checklist](#)

## What are the Official Rules?

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All sweepstakes and contests must have official rules in place. We recommend hiring a sweepstakes and contest administration company to help draft the rules in compliance with the law. The official rules are a contract between the Sponsor of the contest or sweepstakes and the entrants.

Official rules are important because they protect not only the company offering the contest, but also the entrant. By following the sweepstakes and contest laws, you can help ensure that your content is legally compliant.

## What to include in Official Rules

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The official rules should include all information regarding the sweepstakes or contest. The following information must be included in the official rules:

### How to enter

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Let the potential entrants know what they need to do to enter the sweepstakes or contest. Remember to keep the entry as simple as possible.

### What is the prize

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Provide details of the prize and retail value (ARV). Make sure you make it as attractive as possible to your potential entrants.

**Check out:** [Why Your Sweepstakes Rules Should Include an ARV](#)

## Choosing the Winner

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Describe the process of choosing the winner. Will it be by random or based on skill?

## Duration of the Contest or Sweepstakes

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Clearly establish when the sweepstakes start and end. Remember to be as specific as possible. Include time zone, time, and the date.

## Contact Information

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Include contact information for questions about the contest or sweepstakes. This could be a dedicated email or a phone number.

The previously mentioned information should be included, but it is not limited to. Please consult with a promotions lawyer or a company like [Sweeppea](#) dedicated to administering sweepstakes and contests.

## Conclusion

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It is important to familiarize yourself with the relevant giveaway rules and regulations by state. Complying with the law will prevent fines and minimize legal risk. **In general, all Contests and Sweepstakes must be free to enter and all regulations should be explicitly included in the contest or sweepstakes Official Rules.**

We recommend that a promotional lawyer or a [Sweepstakes administration](#) company is hired to help ensure sweepstakes compliance and on how to properly draft official rules.

Need help with [sweepstakes](#) or [contest management](#)? Call 305-505-5393 or [email us](#) with your questions.