

Sweepstakes Winner Declined Sweepstakes Prize? What to Do When a Winner Wants a Different Prize?

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What if the sweepstakes winner doesn't want the sweepstakes prize? What can you do as a sweepstakes sponsor or administrator? How can you properly enforce your sweepstakes' official rules?

When a winner requests that a prize be modified or replaced, the sponsor typically has several options, including awarding the prize as specified in the rules or; disqualifying the winner for refusing the prize as offered and selecting an alternate winner.

Why Do Some Sweepstakes Winners Decline?

Winners sometimes win prizes they are unable to utilize or take possession of. Perhaps the prize acceptance requirements create conflict such as the award comes with a hefty tax burden, or the winner entered the contest with the hope of obtaining a different prize.

Conflict on Dates

It's heartbreaking, but sometimes people win a fantastic vacation but are unable to use them because they can not travel on the designated dates. Sometimes they are unable to take time off work; they have another trip planned, or they may have small children and cannot take them on the trip.

A Hefty Tax on Sweepstakes Prizes

If the sweepstakes winner resides in the United States, he or she is required to pay taxes on the Approximate Retail Value (ARV) of the sweepstakes prizes just as if he or she earned the prize's value through work. The exact tax liability for the winner may vary based on their tax circumstances. All prize taxes are paid to the IRS by the winner and never paid to or requested by a sweepstakes sponsor.

If the winner receives a cash prize, they may deduct the taxes from their gains. If the winner cannot pay the taxes, they may feel the need to refuse the award. Although, in our experience, this has never happened. Sponsors can also offer a cash prize to help the winner with the tax bill. If the cash prize is over \$600, the cash prize is also liable to income tax.

The Winner May Need to Disclose Their Social Security Number for Tax Purposes

In order to claim the prize, depending on the value of the prize, winners are required to provide their Social Security Number to the sponsor or sweepstakes administrator. The SSN is needed to provide the winner with a 1099 MISC tax form as required by the IRS for prizes over \$600 in value. Sometimes winners do not want to provide their SSN for fear of identity theft. Properly crafted Official Rules should state that all winners who receive prizes of over \$600 in value, will be required to provide their SSN for tax reporting purposes. If the winner refuses to share the information, the winner has therefore rejected or unclaimed the prize and the sponsor should move on to an alternate winner and keep a record of the winner's prize rejection.

See: [Affidavits of Eligibility & Publicity/Liability Releases: Understanding Sweepstakes Rules Requirements](#)

Short Notice

Occasionally, sweepstakes prizes such as vacations or concert tickets must be redeemed on short notice. If the winner cannot alter their schedule, they may decline the award.

Winning a Different Sweepstakes Prize

There are sweepstakes with several awards or award tiers. It's possible that the winner won the 3rd place prize but they may only want the 1st place prize. In this case, the winner may reject the prize, it happens, but not very often.

When a sweepstakes winner declines the prize, this is usually not an issue if you ensure that your official rules account for such circumstances. Here is what to do if the sweepstakes winner declines the award.

Include Provisions for Declined Prizes in the Sweepstakes Official Rules

Make sure that your sweepstakes official rules state that the sweepstakes winner cannot transfer, redeem, or swap the prize for cash. Make it quite clear that if a person is unable to accept the award, they must forfeit it.

Prohibit Prize Transfers

Although it may seem that your organization is being unfair, prohibiting trades and transfers protects the sponsor. First, it prohibits your award from being utilized in a manner that was not intended by your business.

Second, disallowing transfers assures that the prize will not be awarded to someone who is ineligible to win or someone who did not enter the sweepstakes directly and agreed to the Official Rules.

Lastly, allowing winners to transfer their rewards to others is unfair to the other sweepstakes participants as well.

A Winner Who Wishes to Exchange the Prize Must Forfeit

By preventing the winner from exchanging the prize, you may prevent the exchange of an item of equal or lower value for the original award.

Enabling winners to swap prizes might damage your relationships with firms with whom you've collaborated to provide sweepstakes prizes.

Now, the Sponsor has the right to substitute the Prize offered for a prize of equal or greater value if the prize becomes unavailable for any reason.

Conclusion

When it comes to managing unanticipated issues during sweepstakes, the Official Rules are essential for avoiding problems. Comprehensive Official Rules guidelines intended to manage all types of issues can help you avoid unforeseen circumstances.

Sweeppea offers full-service sweepstakes creation, official rules, and administration or a self-service platform where you can create and manage your own sweepstakes.

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