

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

ON-LINE GAME REGULATIONS

PART I

~~ON-LINE GAMES.~~

11 VAC 5-40-10. ~~General definitions for on-line games.~~

~~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. Definitions that relate to instant games are incorporated by reference in the On-Line Game Regulations (11 VAC 5-40-10 et seq.).~~

~~"Auto pick" means the same as "easy pick."~~

~~"Breakage" means the fraction of a dollar not paid out due to rounding down and shall be used exclusively to fund prizes.~~

~~"Cancelled ticket" means a ticket that (i) has been placed into the terminal, whereupon the terminal must read the information from the ticket and cancel the transaction or (ii) whose validation number has been manually entered into the terminal via the keyboard and cancelled.~~

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

~~"Confirmation (or registration) notice" means the subscription notification letter or card mailed to the subscriber which confirms the game numbers for the game panel played, and the plan start date~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS
and number of draws.

~~"Drawing" means a procedure by which the lottery randomly selects numbers or items in accordance with the specific game rules for those games requiring random selection of number(s) or item(s).~~

~~"Duplicate ticket" means a ticket produced by any means other than by an on-line terminal with intent to imitate the original ticket.~~

~~"Easy pick" means computer-generated numbers or items.~~

~~"Game panel" means the play(s) entered on a playslip by the player or by the subscriber on the subscription application.~~

~~"Game numbers" mean the numbers designated by the player on the playslip or subscription application or the computer-generated numbers if easy pick is selected.~~

~~"Group designated agent" means the individual listed on the back of a ticket or on the subscription application who is elected by the group of players to act as the representative or subscriber on the group's behalf in handling all correspondence and payment disbursements resulting from the group's activity.~~

~~"Number of draws" means the actual number of draws for which a multiple play or subscription is valid.~~

~~"On-line game" means a lottery game, the play of which is dependent upon the use of an on-line terminal in direct communication with an on-line game main frame operated by or at the direction of the department.~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~"On-line lottery retailer" means a licensed lottery retailer who has entered an agreement with the~~

~~department to sell on-line tickets at a specific location.~~

~~"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" means the department's computer hardware through which a combination of numbers or items is selected or generated and through which on-line tickets are generated and claims may be validated.~~

~~"On-line ticket" means a computer-generated ticket 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.~~

~~"Person" means a natural person and may extend and be applied to groups of persons as well as corporations, companies, partnerships, and associations, unless the context indicates otherwise.~~

~~"Play" means a wager on a single set of selected numbers.~~

~~"Player-selected item" means a number or item or group of numbers or items selected by a player in connection with an on-line game. Player-selected items include selections of items randomly generated by the computer on-line system. Such computer-generated numbers or items are also known as "auto-picks," "easy-picks" or "quick-picks."~~

~~"Playslip" means an optically readable card issued by the department, used in marking a player's game plays.~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~"Present at the terminal" means that a player remains physically present at the on-line lottery terminal from the time the player's order for the purchase of on-line lottery tickets is paid for and accepted by the lottery retailer until the processing of the order is completed and the tickets are delivered to the player at the licensed on-line retailer terminal location.~~

~~"Quick pick" means the same as "easy pick."~~

~~"Retailer," as used in this chapter, means a licensed on-line lottery retailer, unless the context clearly requires otherwise.~~

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

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

~~"Start date" means the first draw date for which a multiple play or subscription is effective.~~

~~"Subscription" means a method to play a lottery on-line game by purchasing subscription plays, using a designated set of numbers, for a specific period of time, and for which the player is automatically entered in each drawing or game during the period for which the subscription is effective.~~

~~"Ticket" or "tickets" means an on-line lottery game ticket produced by a terminal on ticket stock issued by the department, the front of which contains the applicable game caption, information identifying the drawing or drawings for which the ticket is valid, one or more lettered game plays, the total price of the ticket, a bar code representation of the ticket serial number, a ticket validation~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~number, an alphabetic dual security characterization, and the time the ticket was issued. The front of the ticket may also contain a message to the player. On the back of the ticket must be a ticket stock sequential number preceded or followed by two letters and a synopsis of lottery rules. The front of the ticket may, in lieu of game information, bear information designating the ticket as a coupon which is redeemable for some designated benefit.~~

~~"Winning combination" means two or more items or numbers selected by a drawing.~~

[Repealed.]

11 VAC 5-40-20. ~~Development of on-line games.~~

~~The director shall select, operate, and contract for the operation of on-line games which meet the general criteria set forth in this chapter. The board shall determine the specific details of each on-line lottery game after consultation with the director. These details include, but are not limited to:~~

- ~~1. The type or types of on-line lottery games,~~
- ~~2. Individual prize amounts and overall prize structure,~~
- ~~3. Types of noncash prizes, if any,~~
- ~~4. The amount and type of any jackpot or grand prize which may be awarded and how awarded, and~~
- ~~5. Chances of winning. [Repealed.]~~

11 VAC 5-40-30. ~~Prize structure.~~

~~The prize structure for any on-line game shall be designed to return to winners approximately 50% of gross sales.~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~A. The specific prize structure for each type of on line game shall be determined in advance by the board.~~

~~B. 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. [Repealed.]~~

~~11 VAC 5-40-40. Drawing and selling times.~~

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

~~B. On line tickets may be purchased up to a time prior to the drawing as specified in the on-line drawing rules. That time will be designated by the director. [Repealed.]~~

~~11 VAC 5-40-50. 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 on line game tickets or provide free lottery tickets as a promotion with the sale of on line tickets. This section shall not prevent a licensed retailer from providing free on line 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 for the primary purpose of inducing persons to participate in the lottery. (see 11 VAC 5-40-90.)~~

~~B. This section shall not apply to the redemption of a winning on line game ticket the prize for which is another free ticket. [Repealed.]~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

11 VAC 5-40-60. Ticket cancellation.

~~A ticket may be cancelled and a refund of the purchase price obtained at the request of the bearer of the ticket under the following conditions:~~

~~1.—To be accepted for cancellation, the ticket must be presented to the lottery retailer location at which the ticket was sold, prior to the time of the drawing and within the same business day it was purchased.~~

~~2.—Cancellation may only be effected by the following two procedures:~~

~~a.—Inserting the ticket into the lottery terminal, whereupon the terminal must read the information from the ticket and cancel the transaction.~~

~~b.—After first determining that the preceding procedure cannot be utilized successfully to cancel the ticket, the terminal operator may cancel the ticket by manually entering the ticket validation number into the terminal via the keyboard.~~

~~Any ticket which cannot be cancelled by either of these procedures remains valid for the drawing for which purchased. Any ticket which is mutilated, damaged or has been rendered unreadable, and cannot be inserted into or read by the lottery terminal or whose validation number cannot be read and keyed into the terminal, cannot be cancelled by any other means.~~

~~3.—The cancelled ticket must be surrendered by the bearer to the retailer.~~

~~4.—On a case by case basis, credit may be provided to retailers for tickets which could not be cancelled by either of the two methods described in 11 VAC 5-40-60.2. Such credit may be given provided unusual, verifiable circumstances are present which show that the department's computer~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~system could not accept the cancellation within the same day the ticket was purchased or that the ticket was produced by an unusual retailer error or if the ticket was issued by another lottery-approved device. The retailer must notify the department's Hotline prior to the time of the drawing~~

~~and within the same business day the ticket was purchased.~~

~~5. The director may approve credit for other cancellation requests not described in this section.~~

~~6. The lottery's internal auditor will audit cancelled tickets on a sample basis. [Repealed.]~~

~~11 VAC 5-40-70. Chances of winning.~~

~~The director shall publicize the overall chances of winning a prize in each on-line game. The chances may be printed in informational materials. [Repealed.]~~

~~11 VAC 5-40-80. Licensed retailers' compensation.~~

~~A. Unless otherwise determined by the board, licensed retailers shall receive 5.0% compensation on all net sales from on-line games. "Net sales" are gross sales less cancels.~~

~~B. The board shall approve any bonus or incentive system for payment to retailers. The director will publicize any such system by administrative order. The director may then award such cash bonuses or other incentives to retailers. Retailers may not accept any compensation for the sale of lottery tickets other than compensation approved under this section, regardless of the source.~~

~~[Repealed.]~~

~~11 VAC 5-40-90. Retailers' conduct.~~

~~A. Retailers shall sell on-line tickets at the price fixed by the board, unless the board allows~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~reduced prices or ticket give-aways.~~

~~B.—All ticket sales shall be for cash, check, cashier's check, traveler's check or money order at the discretion of and in accordance with the licensed retailer's policy for accepting payment by such means. A ticket shall not be purchased with credit cards, food stamps or food coupons.~~

~~C.—All ticket sales shall be final. Retailers shall not accept ticket returns except as allowed by department regulations or policies, or with the department's specific approval.~~

~~D.—Tickets shall be sold during all normal business hours of the lottery retailer when the on-line terminal is available unless the director approves otherwise. Retailers shall give prompt service to lottery customers present and waiting at the terminal to purchase tickets for on-line games. Prompt service includes interrupting processing of on-line ticket orders for which the customer is not present at the terminal. Failure to render prompt service to lottery customers may result in administrative action by the director including but not limited to license suspension or revocation or disabling the on-line terminal so that it will not process transactions.~~

~~E.—Tickets shall be sold only at the location listed on each retailer's license from the department. For purposes of this section, the sale of an on-line lottery ticket at the licensed location means a lottery transaction in which all elements of the sale between the licensee and the player shall take place on site at the lottery terminal including the exchange of consideration, the exchange of the playslip if one is used, and the exchange of the ticket. No part of the sale may take place away from the lottery terminal.~~

~~F.—On-line retailers must offer for sale all lottery products offered by the department.~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~G. On line retailers shall furnish players with proper claim forms if required by the department.~~

~~H. On line retailers shall post winning numbers prominently.~~

~~I. On line retailers and employees who will operate on line equipment shall attend training provided by the department and allow only trained personnel to operate terminals.~~

~~J. Federal Internal Revenue Code, 26 U.S.C. § 60501 requires lottery retailers who receive more than \$10,000 in cash in one transaction, two or more related transactions in the aggregate, or a series of connected transactions exceeding \$10,000 in the aggregate, from a single player or his agent, to file a Form 8300 with the Internal Revenue Service. IRS encourages retailers to report all suspicious transactions, even if they do not meet the \$10,000 threshold. "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. [Repealed.]~~

11 VAC 5-40-100. ~~End of game; suspension.~~

~~The director may suspend or terminate an on line game without advance notice if he finds that this action will serve and protect the public interest. [Repealed.]~~

~~PART II.~~

~~LICENSING OF RETAILERS FOR ON-LINE GAMES.~~

11 VAC 5-40-110. ~~Licensing.~~

~~The director may license persons as lottery retailers for on line games who will best serve the public convenience and promote the sale of tickets and who meet the eligibility criteria and~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS
standards for licensing.

~~For purposes of this part on licensing, "person" means an individual, association, partnership, corporation, club, trust, estate, society, company, joint stock company, receiver, trustee, assignee, referee, or any other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, and any combination of individuals. "Person" also means all departments, commissions, agencies and instrumentalities of the Commonwealth, including its counties, cities, and towns. [Repealed.]~~

11 VAC 5-40-120. Eligibility.

~~A. Any person who is 18 years of age or older and who is bondable may be considered for licensure, except no person may be considered for licensure:~~

- ~~1. Who will be engaged primarily in the business of selling lottery tickets;~~
- ~~2. Who is a board member, officer or employee of the State Lottery Department or who resides in the same household as board member, officer or employee of the department; or~~
- ~~3. Who is a vendor to the department of instant or on line lottery tickets or goods or data processing services, whose tickets, goods or services are provided directly to the lottery department, or whose business is owned by, controlled by, or affiliated with a vendor of instant or on line lottery tickets or goods or data processing services whose tickets, goods or services are provided directly to the lottery department.~~

~~B. The submission of forms or data for licensure does not in any way entitle any person to receive a license to act as an on line lottery retailer. [Repealed.]~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

11 VAC 5-40-130. General standards for licensing.

~~A. The director may license those persons who, in his opinion, will best serve the public interest and public trust in the lottery and promote the sale of lottery tickets. The director will consider the following factors before issuing or renewing a license:~~

- ~~1. The financial responsibility and integrity of the retailer, to include:
 - ~~a. A credit and criminal record history search or when deemed necessary a full investigation of the retailer;~~
 - ~~b. A check for outstanding delinquent state tax liability;~~
 - ~~c. A check for required business licenses, tax and business permits; and~~
 - ~~d. An evaluation of physical security at the place of business, including insurance coverage.~~~~
- ~~2. The accessibility of his place of business to public, to include:
 - ~~a. The hours of operation compared to the on-line system selling hours;~~
 - ~~b. The availability of parking including ease of ingress and egress to parking;~~
 - ~~c. Public transportation stops and passenger traffic volume;~~
 - ~~d. The vehicle traffic density, including levels of congestion in the market area;~~
 - ~~e. Customer transaction count within the place of business;~~
 - ~~f. Other factors indicating high public accessibility and public convenience when compared with other retailers; and~~
 - ~~g. Adequate space and physical layout to sell a high volume of lottery tickets~~~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

efficiently.

~~3. The sufficiency of existing lottery retailers to serve the public convenience, to include:~~

~~a. The number of and proximity to other lottery retailers in the market area;~~

~~b. The expected impact on sales volume of potentially competing lottery retailers;~~

~~c. The adequacy of coverage of all regions of the Commonwealth with lottery retailers; and~~

~~d. The population to terminal ratio, compared to other geographical market areas.~~

~~4. The volume of expected lottery ticket sales, to include:~~

~~a. Type and volume of the products and services sold by the retailer;~~

~~b. Dollar sales volume of the business;~~

~~c. Sales history of the market area;~~

~~d. Sales history for instant tickets, if already licensed as an instant retailer;~~

~~e. Volume of customer traffic in place of business; and~~

~~f. Market area potential, compared to other market areas.~~

~~5. The ability to offer high levels of customer service to on line lottery players, including:~~

~~a. A history demonstrating successful use of lottery product related promotions;~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

- ~~b. ——— Volume and quality of point of sale display;~~
- ~~e. ——— A history of compliance with lottery directives;~~
- ~~d. ——— Ability to display jackpot prize amounts to pedestrians and vehicles passing by;~~
- ~~e. ——— A favorable image consistent with lottery standards;~~
- ~~f. ——— Ability to pay prizes of \$600 or less during maximum selling hours, compared to other area retailers;~~
- ~~g. ——— Commitment to authorize employee participation in all required on-line lottery training; and~~
- ~~h. ——— Commitment and opportunity to post jackpot levels near the point of sale.~~

~~B. — The director may develop and, by director's order, publish additional criteria which, in the director's judgment, are necessary to serve the public interest and public trust in the lottery.~~

~~C. — After notification of selection as an on-line lottery retailer, the retailer shall file required forms with the department. The retailer must submit all information required to be considered for licensing. Failure to submit required forms and information within the times specified in this chapter may result in the loss of the opportunity to become or remain a licensed on-line retailer. The forms to be submitted shall include:~~

- ~~1. ——— Signed retailer agreement;~~
- ~~2. ——— Signed EFT Authorization form with a voided check or deposit slip from the specified account; and~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~3. Executed bond requirement. [Repealed.]~~

11 VAC 5-40-140. Bonding of lottery retailers.

~~A. A lottery retailer approved for licensing shall obtain a surety bond in the amount of \$10,000 from a surety company entitled to do business in Virginia. If the retailer is already bonded for instant games, a second bond will not be required. However, the amount of the original bond must be~~

~~increased to \$10,000. The purpose of the surety bond is to protect the Commonwealth from a potential loss in the event the retailer fails to perform his responsibilities.~~

~~1. Unless otherwise provided under subsection C of this section, the surety bond shall be in the amount and penalty of \$10,000 and shall be payable to the State Lottery Department and conditioned upon the faithful performance of the lottery retailer's duties.~~

~~2. Within 15 calendar days of receipt of the "On Line License Approval Notice," the lottery retailer shall return the properly executed "Bonding Requirement" portion of the "On-Line License Approval Notice" to the State Lottery Department to be filed with his record.~~

~~B. A lottery retailer whose license is being reviewed shall:~~

~~1. Obtain a letter or certificate from the surety company to verify that the surety bond is being continued for the annual license review period; and~~

~~2. Submit the surety company's letter or certificate with the required annual license review fee to the State Lottery Department.~~

~~C. The department may establish a sliding scale for surety bonding requirements based on the~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~average volume of lottery ticket sales by a retailer to ensure that the Commonwealth's interest in tickets to be sold by a licensed lottery retailer is adequately safeguarded. Such sliding scale may require a surety bond amount either greater or lesser than the amount fixed by subsection A of this section.~~

~~D.—The sliding scale for surety bonding requirements will become effective when the director determines that sufficient data on lottery retailer ticket sales volume activity are available. Any changes in a retailer's surety bonding requirements that result from instituting the sliding scale will become effective only at the time of the retailer's next renewal action.~~

~~E.—Under no circumstances shall the retailer allow total, weekly, net on line and instant sales from a single location for the seven-day period ending at the close of the lottery fiscal week (normally Tuesday night) to exceed five times the amount of the bond for that licensed location, unless such retailer has first obtained written permission from the director. The director, in his sole discretion, may require additional bond or other security as a condition for continued sales, may accelerate the collection from the retailer of the net proceeds from the sale of lottery tickets, or may temporarily suspend the requirement that no retailer may sell lottery tickets in excess of five times the amount of the bond for that licensed location for all on line lottery retailers or for individual retailers on a case-by-case basis. [Repealed.]~~

11 VAC 5-40-150. ~~Lottery bank accounts and electronic funds transfer (EFT) authorization.~~

~~A.—A lottery retailer approved for licensing shall establish a separate bank account to be used exclusively for lottery business in a bank participating in the automatic clearing house (ACH)~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~system. A single bank account may be used for both on line and instant lottery business.~~

~~B. The lottery account will be used by the retailer to make funds available to permit withdrawals and deposits initiated by the department through the electronic funds transfer (EFT) process to settle a retailer's account for funds owed by or due to the retailer from the sale of tickets and the payment of prizes. All retailers shall make payments to the department through the electronic funds transfer (EFT) process unless the director designates another form of payment and settlement under terms and conditions he deems appropriate.~~

~~C. The retailer shall be responsible for payment of any fees or service charges assessed by the bank for maintaining the required account.~~

~~D. Within 15 calendar days of receipt of the "On-Line License Approval Notice," the lottery retailer shall return the properly executed "On-Line Electronic Funds Transfer Authorization" portion of the "License Approval Notice" to the department recording the establishment of his account.~~

~~E. If a retailer finds it necessary to change his bank account from one bank account to another, he must submit a newly executed "Electronic Funds Transfer Authorization" form for the new bank account. The retailer may not discontinue use of his previously approved bank account until he receives notice from the department that the new account is approved for use.~~

~~F. The director will establish a schedule for processing the EFT transactions against retailers' lottery bank accounts and issue instructions to retailers on how settlement of accounts will be made.~~

[Repealed.]

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

11 VAC 5-40-160. ~~Deposit of lottery receipts; interest and penalty for late payment; dishonored electronic funds transfer (EFT) transfers or checks.~~

~~A. Payments shall be due as specified by the director in the instructions to retailers regarding the settlement of accounts.~~

~~B. Any retailer who fails to make payment when payment is due will be contacted by the department and instructed to make immediate deposit. If the retailer is not able to deposit the necessary funds or if the item is returned to the department unpaid for a second time, the retailer's on-line terminal will be inactivated. The retailer will not be reactivated until payment is made by cashier's check, certified check or wire transfer, and if deemed a continuing credit risk by the department, not until an informal hearing is held to determine if the licensee is able and willing to meet the terms of his license agreement. Additionally, interest will be charged on the moneys due plus a \$25 penalty. The interest charge will be equal to the "Underpayment Rate" established pursuant to § 6621(a)(2) of the Internal Revenue Code of 1954 (26 USC § 6621(a)(2)), as amended. The interest charge will be calculated beginning the date following the retailer's due date for payment through the day preceding receipt of the late payment by the department for deposit.~~

~~C. In addition to the penalty authorized by subsection B of this section, the director will assess a service charge of \$25 against any retailer whose payment through electronic funds transfer (EFT) or by check is dishonored.~~

~~D. If the department refers a debt of any retailer to the Attorney General, the Department of Taxation or any other central collection unit of the Commonwealth, the retailer owing the debt shall~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~be liable for an additional service charge which shall be in the amount of the administrative costs associated with the collection of the debt incurred by the department and the agencies to which the debt is referred.~~

~~E. The service charge, interest and penalty charges may be waived when the event which would otherwise cause a service charge, interest or penalty to be assessed is not in any way the fault of the lottery retailer. For example, a waiver may be granted in the event of a bank error or lottery error. [Repealed.]~~

11 VAC 5-40-170. License term and annual review.

~~A. A general on line license for an approved lottery retailer shall be issued on a perpetual basis subject to an annual determination of continued retailer eligibility and the payment of an annual fee fixed by the board. A general on line license requires the retailer to sell both on line and instant lottery tickets.~~

~~B. The annual fee shall be collected within the 30 days preceding a retailer's anniversary date. Upon receipt of the annual fee, the general license shall be continued so long as all eligibility requirements are met. The director may implement a staggered, monthly basis for annual license reviews and allow for the proration of annual license fees. This section shall not be deemed to allow for a refund of license fees when a license is terminated, revoked or suspended for any other reason.~~

~~C. The annual fee for an amended license will be due on the same date as the fee for the license it replaced.~~

~~D. The director may issue special licenses. Special licenses shall be for a limited duration and~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~under terms and conditions that he determines appropriate to serve the public interest. On-line game lottery retailers currently licensed by the department are not required to obtain an additional surety bond for the purposes of obtaining a special event license.~~

~~E. — If the license of a lottery retailer is suspended, revoked or not continued from year to year, the lottery retailer shall surrender the license certificate upon demand. [Repealed.]~~

11 VAC 5-40-180. License fees.

~~A. — Unless otherwise determined by the board, the fee for a lottery retailer general license to sell on-line game tickets shall be \$25. Payment of this fee shall entitle the retailer to sell both on-line and instant game tickets. The general license fee to sell on-line game tickets shall be paid for each location to be licensed. This fee is nonrefundable.~~

~~B. — The annual fee for a lottery retailer general license to sell on-line game tickets shall be an amount determined by the board at its November meeting or as soon thereafter as practicable for all reviews occurring in the next calendar year. The fee shall be designed to recover all or a portion of the annual costs of the department in providing services to the retailer. The fee shall be paid for each location for which a license is reviewed. This fee is nonrefundable. The fee shall be submitted within the 30 days preceding a retailer's anniversary date.~~

~~C. — The fee for processing an amended license for a lottery retailer general license shall be an amount as determined by the board at its November meeting or as soon thereafter as practicable for all amendments occurring in the next calendar year. The amended license fee shall be paid for each location affected. This fee is nonrefundable. An amended license shall be submitted in cases where~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~a business change has occurred. [Repealed.]~~

11 VAC 5-40-190. ~~Fees for operational costs.~~

~~A. The fee for initial terminal telecommunications installation for the on-line terminal shall be \$275 unless otherwise determined by the director. Additionally, the installation fee for a self-service terminal shall be \$275 for existing on-line retailers and \$395 for new retailers. All fees may be subject to change based upon an annual cost review by the department.~~

~~1. If the retailer has purchased a business where a terminal is presently installed or telecommunication service is available, a fee of \$25 per year shall be charged upon issuance of a new license.~~

~~2. No installation fee will be charged if interruption of service to the terminal has not occurred.~~

~~B. Weekly on-line telecommunications line charge. Each retailer shall be assessed a weekly charge of \$15 per week. This fee may be subject to change based upon an annual cost review by the department. [Repealed.]~~

11 VAC 5-40-200. ~~Transfer of license prohibited; invalidation of license.~~

~~A. A license issued by the director authorizes a specified person to act as a lottery retailer at a specified location as set out in the license. The license is not transferrable to any other person or location.~~

~~B. A license shall become invalid in the event of any of the following circumstances:~~

~~1. Change in business location;~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~2. — Change in business structure (e.g., from a partnership to a sole proprietorship); or~~

~~3. — Change in the business owners listed on the original personal data forms for which submission of a personal data form is required under the license procedure.~~

~~C. — A licensed lottery retailer who anticipates any change listed in subsection B must notify the department of the anticipated change at least 30 calendar days before it takes place and submit an amended personal data form. The director shall review the changed factors in the same manner that would be required for a review of an original personal data form. [Repealed.]~~

~~11 VAC 5-40-210. Denial, suspension, revocation or noncontinuation of license.~~

~~A. — The director may refuse to issue a license to a person if the person does not meet the eligibility criteria and standards for licensing as set out in this chapter or if:~~

~~1. — The person has been convicted of a felony;~~

~~2. — The person has been convicted of a crime involving moral turpitude;~~

~~3. — The person has been convicted of any fraud or misrepresentation in any connection;~~

~~4. — The person has been convicted of bookmaking or other forms of illegal gambling;~~

~~5. — The person has been convicted of knowingly and willfully falsifying, or misrepresenting, or concealing a material fact or makes a false, fictitious, or fraudulent statement or misrepresentation;~~

~~6. — The person's place of business caters to or is frequented predominantly by persons under 18 years of age, but excluding family-oriented businesses;~~

~~7. — The nature of the person's business constitutes a threat to the health or safety of~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

prospective lottery patrons;

~~8. — The nature of the person's business is not consonant with the probity of the Commonwealth;~~

~~9. — The person has committed any act of fraud, deceit, misrepresentation, or conduct prejudicial to public confidence in the state lottery; or~~

~~10. — The person has been suspended permanently from a federal or state licensing or authorization program and that person exhausted all administrative remedies pursuant to the respective agency's regulations.~~

~~B. — In addition to refusing a license to a partnership or corporation under subsection A of this section, the director may also refuse to issue a license to any partnership or corporation if he finds that any general or limited partner or officer or director of the partnership or corporation has been convicted of any of the offenses cited in subsection A of this section.~~

~~C. — Any person refused a license under subsection A or B of this section may appeal the director's decision in the manner provided by 11 VAC 5-20-150.~~

~~D. — The director may suspend, revoke, or refuse to continue a license for any of the following reasons:~~

~~1. — Failure to properly deposit the proceeds of the sale of lottery tickets or to properly account for on-line terminal ticket roll stock, for cancelled tickets, or for prizes claimed and paid;~~

~~2. — Failure to file or maintain the required bond or the required lottery bank account;~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~3. — Failure to comply with applicable laws, instructions, terms or conditions of the license, or rules and regulations of the department concerning the licensed activity, especially with regard to the prompt payment of claims;~~

~~4. — Conviction, following the approval of the license, of any of the offenses cited in subsection A of this section;~~

~~5. — Failure to file any return or report or to keep records or to pay any fees or other charges as required by the state lottery law or the rules or regulations of the department or board;~~

~~6. — Commission of any act of fraud, deceit, misrepresentation, or conduct prejudicial to public confidence in the state lottery;~~

~~7. — Failure to maintain lottery ticket sales at a level sufficient to meet the department's administrative costs for servicing the retailer, provided that the public convenience is adequately served by other retailers. This failure may be determined by comparison of the retailer's sales to a sales quota established by the director;~~

~~8. — Failure to notify the department of a material change, after the license is issued, of any matter required to be considered by the director in the licensing process;~~

~~9. — Failure to comply with lottery game rules;~~

~~10. — Failure to meet minimum point of sale standards;~~

~~11. — The person's place of business caters to or is frequented predominantly by persons under 18 years of age, but excluding family-oriented businesses;~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~12. — The nature of the person's business constitutes a threat to the health or safety of prospective lottery patrons;~~

~~13. — The nature of the person's business is not consonant with the probity of the Commonwealth; or~~

~~14. — Permanent revocation or suspension from any federal or state program whereby all administrative remedies pursuant to the respective agency's regulations have been exhausted.~~

~~E. — Before taking action under subsection D of this section, the director will notify the retailer in writing of his intent to suspend, revoke or deny continuation of the license. The notification will include the reason or reasons for the proposed action and will provide the retailer with the procedures for requesting a hearing before the board. Such notice shall be given to the retailer at least 14 calendar days prior to the effective date of suspension, revocation or denial.~~

~~F. — If the director deems it necessary in order to serve the public interest and maintain public trust in the lottery, he may temporarily suspend a license without first notifying the retailer. Such suspension will be in effect until any prosecution, hearing or investigation into possible violations is concluded.~~

~~G. — A retailer shall surrender his license to the director by the date specified in the notice of revocation or suspension. The retailer shall also surrender the lottery property in his possession and give a final accounting of his lottery activities by the date specified by the director. [Repealed.]~~

11 VAC 5-40-220. Responsibility of lottery retailers.

Each retailer shall comply with all applicable state and federal laws, rules and regulations of the

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~department, license terms and conditions, specific rules for all applicable lottery games, and directives and instructions which may be issued by the director.~~ [Repealed.]

11 VAC 5-40-230. ~~Display of license.~~

~~License displayed in general view. Every licensed lottery retailer shall conspicuously display his lottery license in an area visible to the general public where lottery tickets are sold.~~ [Repealed.]

11 VAC 5-40-240. ~~Display of material.~~

~~A. Lottery retailers shall display lottery point of sale material provided by the director in a manner which is readily seen by and available to the public.~~

~~B. A lottery retailer may use or display his own promotional and point of sale material, provided it has been submitted to and approved for use by the department in accordance with instructions issued by the director.~~

~~C. The director may require removal of any licensed retailer's lottery promotional material that has not been approved for use by the department.~~ [Repealed.]

11 VAC 5-40-250. ~~Inspection of premises.~~

~~Access to premises by department. Each lottery retailer shall provide access during normal business hours or at such other times as may be required by the director or state lottery representatives to enter the premises of the licensed retailer. The premises include the licensed location where lottery tickets are sold or any other location under the control of the licensed retailer where the director may have good cause to believe lottery materials or tickets are stored or kept in order to inspect the lottery materials or tickets and the licensed premises.~~ [Repealed.]

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

11 VAC 5-40-260. ~~Examination of records; seizure of records.~~

~~A.—Each lottery retailer shall make all books and records pertaining to his lottery activities available for inspection, auditing or copying as required by the director between the hours of 8 a.m. and 5 p.m., Mondays through Fridays and during the normal business hours of the licensed retailer.~~

~~B.—All books and records pertaining to the licensed retailer's lottery activities may be seized with good cause by the director without prior notice. [Repealed.]~~

11 VAC 5-40-270. ~~Audit of records.~~

~~The director may require a lottery retailer to submit to the department an audit report conducted by an independent certified public accountant on the licensed retailer's lottery activities. The retailer shall be responsible for the cost of only the first such audit in any one license term. [Repealed.]~~

11 VAC 5-40-280. ~~Reporting requirements and settlement procedures.~~

~~Before a retailer may begin lottery sales, the director will issue to him instructions and report forms that specify the procedures for (i) ordering on-line terminal ticket roll stock; (ii) reporting receipts, transactions and disbursements pertaining to on-line lottery ticket sales; and (iii) settling the retailer's account with the department. [Repealed.]~~

11 VAC 5-40-290. ~~Training of retailers and their employees.~~

~~Each retailer or anyone that operates an on-line terminal at the retailer's location will be required to participate in training given by the department for the operation of each game. The director may consider nonparticipation in the training as grounds for suspending or revoking the retailer's license. [Repealed.]~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS**11 VAC 5-40-300. ~~License termination by retailer.~~**

~~The licensed retailer may voluntarily terminate his license with the department by first notifying the department in writing at least 30 calendar days before the proposed termination date. The department will then notify the retailer of the date by which settlement of the retailer's account will take place. The retailer shall maintain his bond and the required accounts and records until settlement is completed and all lottery property belonging to the department has been surrendered.~~

[Repealed.]

PART III.**~~ON-LINE TICKET VALIDATION REQUIREMENTS.~~****11 VAC 5-40-310. ~~Validation requirements.~~**

~~To be valid, a Virginia lottery on line game ticket shall meet all of the validation requirements listed here:~~

- ~~1. The original ticket must be presented for validation.~~
- ~~2. The ticket validation number shall be presented in its entirety and shall correspond using the computer validation file to the selected numbers printed on the ticket.~~
- ~~3. The ticket shall not be mutilated, altered, or tampered with in any manner. (see 11 VAC 5-40-340)~~
- ~~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 through a licensed on line lottery~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

retailer in an authorized manner.

~~6. The ticket shall not have been cancelled.~~

~~7. The ticket shall be validated in accordance with procedures for claiming and paying prizes.~~

~~(see 11 VAC 5-40-400 and 11 VAC 5-40-420)~~

~~8. The ticket data shall have been recorded in the central computer system before the drawing, and the ticket data shall match this computer record in every respect.~~

~~9. The player selected items, the validation data, and the drawing date of an apparent winning~~

~~ticket must appear on the official file of winning tickets and a ticket with that exact data must not have been previously paid.~~

~~10. The ticket may not be misregistered or defectively printed to an extent that it cannot be processed by the department.~~

~~11. The ticket shall pass any validation requirement contained in the rules published and posted by the director for the on-line game for which the ticket was issued.~~

~~12. The ticket shall pass all other confidential security checks of the department.~~

~~13. Any on-line lottery cash prize 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.~~

~~14. 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. Any playslip marked by methods other than those authorized by~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~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. Nothing in this chapter shall be deemed to prevent a person with a physical handicap who would otherwise be 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.~~

[Repealed.]

11 VAC 5-40-320. ~~Invalid ticket.~~

~~An on-line ticket which does not pass all the validation requirements listed in this chapter and any validation requirements contained in the rules for its on-line game is invalid. An invalid ticket is not eligible for any prize.~~ [Repealed.]

11 VAC 5-40-330. ~~Replacement of ticket.~~

~~The director may refund the purchase price of an invalid ticket. If a defective ticket is purchased, the department's only liability or responsibility shall be to refund the purchase price of the defective ticket.~~ [Repealed.]

11 VAC 5-40-340. ~~When ticket cannot be validated through normal procedures.~~

~~If an on-line ticket is partially mutilated or if the ticket cannot be validated through normal procedure but can still be validated by other validation tests, the director may pay the prize for that ticket.~~ [Repealed.]

11 VAC 5-40-350. ~~Director's decision final.~~

~~All decisions of the director regarding ticket validation shall be final.~~ [Repealed.]

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

11 VAC 5-40-360. ~~Prize-winning tickets.~~

~~A. Prize-winning on-line tickets are those that have been validated in accordance with this chapter and the rules of the department and determined to be official prize winners. Criteria and specific rules for winning prizes shall be published for each on-line game and available for all players. Final validation and determination of prize-winning tickets remain with the department.~~

~~B. In cancelling on-line lottery tickets, retailers must comply with 11 VAC 5-40-60. 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. [Repealed.]~~

11 VAC 5-40-370. ~~Unclaimed prizes.~~

~~A. Except for free ticket prizes, all claims for on-line game-winning tickets must be mailed in an envelope 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 on-line 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~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~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 lottery regional offices or headquarters after the 60th day. This section does not apply to the redemption of free tickets awarded through the subscription program. (see 11 VAC 5-40-830)~~

~~D. 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. [Repealed.]~~

11 VAC 5-40-380. ~~Using winners' names.~~

~~The department shall have the right to use the names of prize winners and the city, town or county in which they live. Photographs of prize winners may be used with the written permission of the winners. No additional consideration shall be paid by the department for this purpose unless authorized by the director. [Repealed.]~~

11 VAC 5-40-390. ~~No prize paid to persons ineligible to play.~~

~~Any cash prize or free ticket resulting from a ticket which is purchased by or claimed by a person ineligible to play the lottery game is invalid and cash prizes greater than \$25 revert to the~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~State Lottery Fund. [Repealed.]~~

11 VAC 5-40-400. ~~Where prizes claimed.~~

~~Winners may claim on-line game prizes from any licensed on-line retailer or the department in the manner specified in this chapter or in game rules. Licensed on-line retailers are authorized and required to make payment of all validated prizes of \$600 or less. [Repealed.]~~

11 VAC 5-40-410. ~~Validating winning tickets.~~

~~Winning tickets 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 each type of on-line game. [Repealed.]~~

11 VAC 5-40-420. ~~How prize claim entered.~~

~~A prize claim shall be entered in the name of an individual person or legal entity. If the prize claimed is \$601 or greater, the person or entity also shall furnish a tax identification number.~~

~~1.—An individual shall provide his social security number if a claim form is required by this chapter. A nonresident alien shall furnish his Immigration and Naturalization Service (INS) Number. This INS number begins with an A and is followed by numerical data.~~

~~2.—A claim may be entered in the name of an organization only if the organization is a legal entity and possesses a federal employer's identification number (FEIN) issued by the Internal Revenue Service. If the department or this chapter require that a claim form be filed, the FEIN must be shown on the claim form.~~

~~3.—A group, family unit, club or other organization which is not a legal entity or which does~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~not possess a FEIN 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(s) to whom winnings are taxable.~~

~~4. A group, family unit, club or other organization which is not a legal entity or which does not possess a FEIN and which does not file IRS Form 5754 with the department shall designate the individuals in whose names the claim shall be entered and those persons' social security numbers shall be furnished.~~

~~5. A group, family unit, club or other organization 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.~~

~~[Repealed.]~~

~~11 VAC 5-40-440. No accelerated payments.~~

~~The director shall not accelerate payment of a prize for any reason. [Repealed.]~~

~~11 VAC 5-40-450. 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. [Repealed.]~~

~~11 VAC 5-40-460. Delay of payment allowed.~~

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

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

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; or~~
4. ~~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.~~

~~No liability for interest for any such delay 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 competing claimants. [Repealed.]~~

11 VAC 5-40-470. ~~When installment prize payment may be delayed.~~

~~The director may, at any time, delay any installment 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.~~

~~No liability for interest for such delay shall accrue to the benefit of the claimant pending payment of the claim. [Repealed.]~~

11 VAC 5-40-480. ~~Ticket is bearer instrument.~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~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 bearer of the ticket.~~

[Repealed.]

11 VAC 5-40-490. ~~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 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.~~ [Repealed.]

11 VAC 5-40-500. ~~Marking tickets prohibited; exceptions.~~

~~Marking of tickets in any way is prohibited except by a player to claim a prize or by the department or a retailer to identify or to void the ticket.~~ [Repealed.]

11 VAC 5-40-510. ~~Penalty for counterfeit, forged or altered ticket.~~

~~Forging, altering or fraudulently making any lottery ticket or knowingly presenting a counterfeit, forged or altered ticket for prize payment or transferring such a ticket to another person to be presented for prize payment is a Class 6 felony in accordance with the state lottery law.~~

[Repealed.]

11 VAC 5-40-520. ~~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~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~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. The exception does not apply to an on-line game ticket the prize for which is a free ticket.~~

~~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 180 days of the drawing or within the redemption period, as~~

~~established by game rules. [Repealed.]~~

~~11 VAC 5-40-530. Retailer to pay all prizes of \$600 or less.~~

~~Prizes of \$600 or less shall be paid by any licensed on-line retailer, or by the department at the option of the ticket holder, or by the department when the ticket cannot be validated by the retailer.~~

~~[Repealed.]~~

~~11 VAC 5-40-540. 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, or money order, 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 for referring a debt to the department for collection and~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~penalty payments 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.—Retailers shall pay claims for all prizes of \$600 or less during all normal business hours of the lottery retailer when the on line terminal is operational and the ticket claim can be validated.~~

~~4.—Prize claims shall be payable only at the location specified on the license.~~

~~5.—The department will reimburse a retailer for prizes paid up to 180 days after the drawing date.~~

~~6.—In no case shall a retailer impose a fee, additional charge, discount for cashing a winning lottery instant or on line game ticket. [Repealed.]~~

11 VAC 5-40-550. ~~When retailer cannot validate ticket.~~

~~If, for any reason, a retailer is unable to validate a prize winning ticket, the retailer shall instruct the ticket holder on how to file a claim with the department. [Repealed.]~~

11 VAC 5-40-560. ~~No reimbursement for retailer errors.~~

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

11 VAC 5-40-570. ~~Retailer to void winning ticket.~~

~~After a winning ticket is validated and signed by 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 prescribed by the director. [Repealed.]~~

11 VAC 5-40-580. ~~Prizes of \$600 or less.~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~A retailer shall pay on-line prizes of \$600 or less won on tickets validated and determined by the department to be official prize winners, regardless of where the tickets were sold. The retailer shall display special informational material provided by or approved by the department informing the public that the retailer pays all prizes of \$600 or less. [Repealed.]~~

11 VAC 5-40-590. ~~When prize shall be claimed from the department.~~

~~The department will process claims for payment of 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 headquarters.~~

~~2.—If a ticket holder is unable to return to any on-line 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 headquarters.~~

~~3.—If the prize amount is \$601 or more, the ticket holder may present the signed ticket and a completed claim form, if required, at any department regional office or mail both the signed ticket and a completed claim form, if required, to the department central office.~~

~~4.—The department may require a claim form. [Repealed.]~~

11 VAC 5-40-600. Prizes of \$25,000 or less.

~~Unless otherwise determined by the board, prizes of \$25,000 or less may be claimed from any of the department's offices. Regional offices will pay prizes by check after tickets are validated and~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~after any other applicable requirements contained in this chapter are met. [Repealed.]~~

11 VAC 5-40-610. ~~Prizes of more than \$25,000.~~

~~Prizes of more than \$25,000 and noncash prizes other than free lottery tickets may be claimed from the department's headquarters in Richmond. The headquarters will pay cash prizes by check, after tickets are validated and after any other applicable requirements contained in this chapter are met. [Repealed.]~~

11 VAC 5-40-620. ~~Grand prize event.~~

~~If an on-line game includes a grand prize or jackpot 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 consistent with 11 VAC 5-40-20 of this chapter.~~

~~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 into the event, the director may place that ticket into a grand prize drawing for the next equivalent event. That action is the extent of the department's liability.~~

~~4. The director shall determine the date(s), time(s) and procedures for selecting grand prize winner(s) for each on-line game. The proceedings for selection of the winners shall be open to members of the news media and to either the general public or entrants or both. [Repealed.]~~

11 VAC 5-40-630. ~~When prize payable over time.~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

~~A. Unless the rules for any specific on line game provide otherwise, any cash prize of \$100,001 or more will be paid in multiple payments over time. The schedule of payments shall be designed to pay the winner equal dollar amounts in each year, with the exception of the first, until the total payments equal the prize amount.~~

~~B. In the 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 180 day redemption period, the department will transfer that portion of the prize to the Literary Fund in accordance with procedures approved by the State Treasurer. [Repealed.]~~

11 VAC 5-40-640. Rounding total prize payment.

~~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. [Repealed.]~~

11 VAC 5-40-650. When prize payable for "life."

~~If a prize is advertised as payable for the life of the winner, only an individual may claim the prize. If a claim is filed on behalf of a group, company, corporation or any other type of organization, the life of the claim shall be 20 years. [Repealed.]~~

11 VAC 5-40-660. When claim form required.

~~A claim form for a winning ticket may be obtained from any department office or any licensed lottery retailer. A claim form may be required to claim any prize from the department's offices. This section may not apply to the redemption of prizes awarded through a subscription plan. [Repealed.]~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

11 VAC 5-40-670. ~~Department action on claims for prizes submitted to department.~~

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

~~1. If the claim is not valid, the department will promptly notify the ticket holder.~~

~~2. 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.~~

~~3. 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 bearer. [Repealed.]~~

11 VAC 5-40-680. ~~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 prize of \$101 or more, the department shall withhold any moneys due for delinquent debts listed with 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. [Repealed.]~~

11 VAC 5-40-690. ~~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. [Repealed.]~~

11 VAC 5-40-700. ~~Development of subscription.~~

11 VAC 5-40-10 et seq. - ON-LINE GAME REGULATIONS

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