

LOUISIANA

DEPARTMENT *of* REVENUE

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Income Tax

Legality of Internet Café Sweepstakes

Recently, the Louisiana Department of Revenue became aware that internet cafes were conducting sweepstakes. The sweepstakes are promotional contests, used to promote the sale of phone cards and internet time at the internet café and bingo halls. Points are awarded each time a customer makes a purchase or a customer may enter the sweepstakes without making a purchase by completing forms that are available on site. The points have no monetary value and can only be used to play the sweepstakes games on a validation terminal. Prizes are collected at the retailer's location. The sweepstakes entry is validated through a computer that accesses the result generated by a central server connected through the internet.

According to La. R.S. 51:1726(B)(5), "sweepstakes promotion" is defined to include

"any game, contest, or other offering where entry into the game, contest, or other offering, whether allowed gratuitously or through a bargained-for exchange, is offered in connection with the promoting or advertising of any one of the following: (a) a business or an extension thereof; (b) a product; (c) an investment opportunity; (d) a charitable contribution; or (e) a service."

In addition, according to La. R.S. 51:1726(C), "The Department of Justice, Office of Attorney General, shall regulate sweepstakes promotions provided for in this Section and the electronic display of sweepstakes winners as provided for in R.S. 51:1727."

Also, according to La. R.S. 51:1727(C),

"At no time shall the revealing of a sweepstakes promotion winner, the revealing of a sweepstakes prize, or the revealing of a sweepstakes prize value be linked to or associated with the play or simulation of play of an electronic game or similar contest on a computer, computer system, or any other electronic system."

Finally, according to La. R.S. 51:1727(D)(3), "electronic game" is defined to include

"a form of interactive multimedia used primarily for entertainment, which includes but is not limited to any interactive multimedia that consists of movable images displayed on a computer screen that may be controlled, manipulated, or set into motion by some action or activity of the person playing the game."

It is the Department of Revenue's position that internet café sweepstakes are controlled by La. R.S. 51:1726-1727 and are therefore not permissible in Louisiana.

Tim Barfield
Secretary

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