

SWEEPSTAKES CASINOS ARE **Exploiting Legal Loopholes, Deceiving Customers,** **and Denying States Millions in Tax Revenue**

Sweepstakes casinos and sportsbooks operate throughout the country in states where online sports betting and iGaming have yet to be legalized, and in gaming states that have yet not taken action against them. Heavily advertised on social media, these well-known companies, including Stake, Chumba, and Fliff, appear like mainstream, legal gaming platforms and yet operate without regulatory approval or gaming licenses.



EXPLOITING LEGAL LOOPHOLES

These operators claim to offer sweepstakes, but they're nothing like McDonald's promotions. These websites offer traditional casino games such as slots, roulette, blackjack, and poker. The "sweepstakes" is a sleight of hand—the customers purportedly purchase "gold coins" allowing them to play the games for entertainment, and as a "bonus" are awarded "sweeps coins" that allow the customer to play with the chance to win a monetary prize. Using this dual-currency system, customers engage with the platform in a way that almost exactly mirrors a regulated sportsbook or iGaming app. The American Gaming Association has argued that this model "potentially skirt[s] gaming laws and regulations" and that states "should investigate companies or platforms that offer casino games or a form of sports betting under the 'sweepstakes' model."¹



DECEIVING CUSTOMERS

Unlike legal and regulated operators, so-called "sweepstakes casinos" are not required to offer consumer protections or responsible gaming resources. There is no reputable regulatory authority charged with securing customers' deposits or ensuring that winnings are paid out. Many sweepstakes operators encourage customers to use cryptocurrency, which makes it more difficult to track potential instances of money laundering or other crimes. Perhaps worst of all, minors can easily access and place wagers on these platforms. Operators such as Stake, Chumba, and Fliff directly tailor their marketing to teenagers on social media platforms including Instagram, TikTok, and YouTube, and age verification measures are often a farce.



DENYING STATES MILLIONS IN TAX REVENUE

Sweepstakes casinos are a big business, with their net revenue in the United States projected to reach \$4 billion in 2025.² Because they are unregulated, sweepstakes operators pay no gaming taxes, meaning that states are missing out on hundreds of millions of dollars in lost tax revenue. Additionally, because they pay no taxes, unregulated sweepstakes sportsbook operators can often offer more competitive odds than licensed operators who must account for taxes, regulatory expenses, and other consumer protection costs. This results in customers being driven away from the safe and legal regulated market where it is available.



WHAT CAN BE DONE?

There are multiple ways that states can combat this unregulated activity. First, they can investigate and pursue legal action against unregulated sweepstakes casinos who may be violating state or federal laws. Second, and equally importantly, states can take steps to create safe, legal, and regulated iGaming and sports betting markets, which will provide an alternative for consumers to the limited options currently available to them. When given a choice, consumers consistently prefer regulated platforms to unregulated ones.

¹ American Gaming Association, "Regulatory Vigilance Critical to Ensure 'Sweepstakes' Don't Threaten Consumers and Undermine Gaming Regulation.

² Eilers & Krejcik Gaming, "Sweepstakes Gaming Market Monitor 1Q24," April 8, 2024.