



SPORTS GAMING OPERATING STANDARDS

FINANCIAL PROCESSING

EFFECTIVE DATE: SEPTEMBER 1, 2022

OVERVIEW

The relationship between the Ohio Lottery Commission (Lottery) and a Lottery Sports Gaming Proprietor (LSGP) is one of trust. A LSGP collects funds on behalf of the Lottery through lottery sports gaming sales from which an LSGP receives a share of the revenue.

REFERENCE DOCUMENTS

Ohio Revised Code [3770.071, .072, & .073](#)
Ohio Revised Code [3770.21](#)
Ohio Revised Code [5747.064](#)
Ohio Revised Code 3775.10 (F)
Ohio Administrative Code 3770:2-8-04
Ohio Administrative Code 3775-16-06, 5101:12-55-30.1
Proprietor Terms and Conditions

STANDARDS

Business Day - The LSGP business day runs from 12:00:00 a.m. to 11:59:59 p.m. with wager processing permitted 24 hours a day.

Business Week - The LSGP business week runs from Sunday to Saturday as communicated to the LSGP with wager processing capability 24 hours a day.

Reserve Funds - An LSGP shall maintain (subject to Lottery approval) reserve funds sufficient to cover all winning wagers. The LSGP shall propose a minimum level and shall describe the methodology for calculating and adjusting the minimum. The funds must be held separate from operational funds and must be able to cover the sum of all amounts accepted by a LSGP on sporting events whose outcomes have not been determined, money owed but unpaid by the LSGP to all players on winning wagers, and the funds held for player accounts. Reserve Funds must comply with OAC 3775-16-06.

Promotional Credits - An LSGP may offer promotional credits, also known as approved promotional credits, as authorized by the Lottery. Parameters for the request, approval, budget, reporting, etc. are outlined in the Promotional Credit Operating Standards.

Lottery Sports Gaming Prize Payment - The LSGP is required to provide a solution for prize cashing programs through host locations and mail redemption. The LSGP may present additional prize cashing options for review and approval by the Lottery.

The LSGP is required to follow section 6041 of the Internal Revenue Code for W-2G reporting guidelines with respect to lottery sports gaming prize payments.



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Pursuant to Ohio Revised Code (ORC) [3770.072](#) and [5747.064](#), prize awards which are reportable under section 6041 of the Internal Revenue Code are subject to State of Ohio tax withholding. A LSGP shall deduct and withhold Ohio income tax from the person's prize award at a rate of four percent of the amount won. The LSGP is responsible for directly reporting and paying taxes withheld to the State and Federal agencies and for providing appropriate W2G forms to winners of reportable prizes.

Pursuant to OAC 3770:2-8-04, any reportable prize submitted for payment, is required to be verified first in the LSGP electronic systems with the current Ohio VEP data. If a claimant included in the data is an Ohio Voluntary Excluded Patron (VEP), the prize will be surrendered to the Ohio Lottery.

Pursuant to ORC [3770.071](#) and [3770.073](#), the LSGP is required to intercept (withhold) from reportable prize payments for amounts owed to both the child support enforcement agency and the State of Ohio. The processing of state debt inquiries is conducted after the withholding of required taxes. The intercept check is performed with one inquiry. The order of inquiry is as follows: debt to the child support enforcement agency, debt to the State of Ohio.

The Ohio Lottery will provide access to an intercept system which executes queries to the Ohio Department of Jobs and Family Services and the Attorney General of Ohio.

The LSGP will be required to make weekly payments of the intercept withholdings directly to the appropriate agency. The Lottery will provide the LSGP access to the weekly invoice according to prize intercept procedures agreed to by the Lottery and the LSGP.

The LSGP must comply with all applicable taxation regulations for both prizes and payments.

Unclaimed Winning Wagers - An unclaimed winning wager is treated as an expired voucher on the 180th day following the completion of the wagering event. All funds from expired winning wagers are due to the Lottery on the following months remittance to the Lottery. The funds from expired winning wagers will not be included in the calculation of revenue. Any funds received or owed, from any unauthorized event shall be treated as an unclaimed wager. The proprietor and Lottery will agree to the process to track aging vouchers.

Uncollected Winning Wagers - Any winning wager where a player has not provided adequate taxpayer identification to the LSGP within 180 days is deemed uncollected. The proprietor shall provide the Lottery, for approval, a policy describing their reasonable attempts to contact the player prior to the 181st day. The policy shall also describe the disposition of the uncollected funds. The proprietor may choose to honor the winning wager after 180 days at their discretion.

Voluntarily Excluded Patron Play - The LSGP shall remit to the Lottery the amount of any winning bets and wagering instruments in the possession of an Ohio Voluntary Excluded Patron (VEP). The LSGP must document all VEP winning wagers on the Ohio VEP database of the total amount of funds surrendered from the VEP. The LSGP will remit to the Lottery the total amount



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of funds due.

Prohibited Patron Play - An LSGP must establish a property excluded patron play policy. Each property excluded patron play policy must be approved by the Lottery.

Underage Winning Wagers - The LSGP is required to “void” any winning bets found to be won by an underage patron. The proprietor must document the underage winning bet on a winning bet exception log and notify Lottery regulators of the details of the underage patron winning bet. An LSGP that permits an individual under twenty-one years of age to engage in sports gaming is subject to the penalties in section 3775.99 of the Revised code.

Sports Gaming Bet Slips and Claim Forms - An LSGP must provide to the Lottery, for review and approval, a sample of the sports gaming bet slip layout, design, and disclaimer language, including language regarding wager expiration, prize payment processes and responsible gambling. An LSGP must provide to the Lottery the prize payment instructions, claim forms, and other reports available to the player. The submission must permit the lottery to edit and approve prior to printing.

Drop Schedule Process - An LSGP shall provide to the Lottery their procedures for handling cash from the POS terminals and self-service kiosks. The process for kiosk drops, POS cashing, and cashing machines shall be routinely performed at each host location in a secure manner. The LSGP is responsible for ensuring all drops occur. If the LSGP uses a third-party partner for these services, those employees may be subject to occupational licensing requirements under the Ohio Casino Control Commission (OCCC).

Non-Host Cashing Locations - The LSGP, may partner with non-host cashing locations to provide expanded cashing. To be an approved cashing location, the host and LSGP must comply with the minimum internal controls and security standards articulated in OCCC and Lottery rules, and Lottery operating standards in order to be approved (e.g., shall not engage in the acceptance of sports gaming wagers or bets). Each non-host location will need to enter into a written agreement with the LSGP acknowledging they understand what the partnership entails (e.g., age requirements, not part of Lottery cashing structure, cashing bonus would come from LSGP, etc.).

The LSGP shall have in place the following prior to execution of any non-host cashing locations agreements:

- Signed Terms and Conditions/ agreement to include but not limited to the following:
 - Age verification requirements
 - Cashing bonus breakdown (provided by proprietor)
 - Regulation compliance standards (e.g., Cashing limits, reportable/non-reportable prizes, etc.)
 - Cashing solution reviewed and approved by the Lottery
 - Training plan for non-host locations

Notification Process for Non-Host Cashing locations - Notification shall be submitted to the



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lottery within five (5) days of signed written agreement. Information shall include, but not be limited to:

- Type C host name and retailer number
- Inventory of sports gaming cashing devices to be installed
 - A formal written response will be provided by the Lottery outlining the decision on each request.
- Planned installation date
- Ensure Shipment of equipment and software operating standard are met

REVENUE REPORTING AND PROCESSING

LSGP shall remit payment to the Lottery as a percentage of sports gaming revenue defined as wagers, less prizes won, less cancellations, less approved promotional play.

LSGP shall submit to the Lottery daily transaction summaries by event; wager type; and dollar amounts. Submission content, frequency and format shall be agreed upon with the Lottery.

Weekly Revenue Report - The LGSP shall, upon request, submit to the Lottery a summary report of the Business Week Transactions by close of business each Monday. Upon receipt, the Lottery will review activity for the previous week and reconcile with the LGSP.

Settlement Date - At the end of each calendar month, the LSGP shall create a financial statement identifying the commission amount due to the Lottery. This statement shall be submitted to the Lottery no later than the 10th day of the following month. The Lottery will reconcile and generate an invoice report to submit to the LSGP for processing payment. The invoice shall be remit on the 15th day of each month to cover the gross sports gaming revenue from the previous full month. If the 15th falls on a weekend or holiday, it will carry to the next available business day.

Payment - The LSGP is required to make deposits of game proceeds into their designated lottery account sufficient to meet the weekly and monthly settlements.

COMPLIANCE

The LSGP shall submit Financial Procedures to the Lottery for review and approval. The procedures shall address each of the categories identified above and any additional information deemed pertinent by the LSGP.

ADDITIONAL REPORTING REQUIREMENTS

The following reports shall be submitted to the Lottery weekly:

- **Expired Winning Wager Detail Report** - A list of winning wagers that expired during the



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previous week.

The following reports shall be submitted to the Lottery monthly:

- **Minimum Reserve Funds** – A report detailing the minimum reserve funds calculation and the current bankroll amounts.
- **Winning Wager Liability Report** – Also known as an aging report. The report shall display the value of outstanding wagers and outstanding winning bet amounts owed for various age ranges (e.g., 0 to 30 days, 31 to 60 days, 61 to 90 days, 91 to 120 days, and 121 days to 180 days).
- **Transaction Summary Report** – must be able to be generated daily, monthly, or for any other selected date range. The report must include total gross receipts; cash and cash equivalents paid as winnings; total voided wagers; and promotional gaming credits wagered.

The following reports shall be maintained for review upon request by the Lottery:

- **Winning Wager Exception Log** – A list of winning wagers that do not get paid out through the typical wager process (e.g., unclaimed, no ID, etc.). Include no ID winning wagers that are claimed.

CONTACT

For further information contact: sportsgaming@lottery.ohio.gov