

March Madness: When Sports Betting Becomes Mainstream

by Anthony Caruso on March 19, 2012

During the NCAA Men's Basketball Tournament, we all go a little bit "mad," wrapped up in the fever pitch of the initial rounds, hoping we picked the right upsets. But are we breaking the law?

The Professional and Amateur Sports Protection Act (PASPA), a federal law passed in 1992, allows sports betting in just four states—Nevada, Delaware, Oregon, and Montana. In addition, the Interstate Wire Act of 1961 prohibits communicating wagers or "information assisting in the placing of bets or wagers on any sporting event or contest," across state lines over wires. The statute has been interpreted to include the Internet, where most NCAA pools are run. State laws prohibiting gambling of any type also apply here, particularly in connection with local office pools.

Therefore, under the strict letter of the law, we could all be criminals (all 60 million of us that participate in NCAA office pools.) In fact, the FBI estimates that \$2.5 billion is bet illegally during March Madness.

Nonetheless, local and federal law enforcement generally do not pursue low-stakes gambling pools, particularly when the organizer (or "house") does not take a cut. That means most NCAA pools participants are safe from prosecution.

Not everyone, however, is turning a blind eye this year.

PayPal has sent alerts to some users who have used the service in connection with March Madness betting, indicating that their account use has been "limited."

"After a recent review of your account activity, it has been determined that you are in violation of PayPal's Acceptable Use Policy regarding your sales / offers of March Madness sports pool," a representative of PayPal's brand risk management division wrote in an e-mail obtained by Bloomberg News.